

SNOWBALL RESEARCH NOTES

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Issue 4

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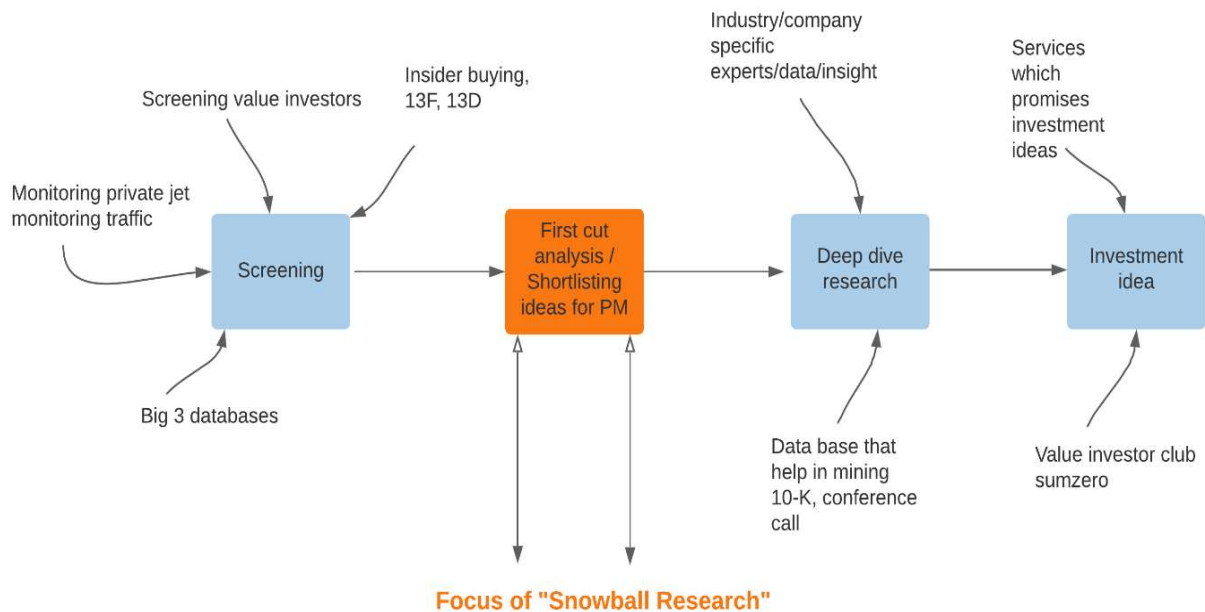
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Unique & niche project

Why is this report unique?

1. Shortlisting ideas

- 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. This includes sites like Value Investors Club, Sumzero, and subscription services that pitch stock ideas.
- Snowball Research focuses on the "most ignored" section in the equity research process: narrowing down ideas. We narrow down ideas from a list of five screens.



2. Process

The significant outcome of our report is tied to the "process." When you decide to trust us with your subscription cost, you are paying predominantly for the process.

Whenever there is a CEO change, 13D filing, non-management filings by activist investors, board change after activist involvement, significant changes after activist involvement, a settlement agreement between activist and the company, 13G, 13F, NT, and non-reliance filing, we review and research it. We write a report if it is significant.

3) Recurring and reading

- All the processes are "recurring" in nature.
- Our research process is heavily tied to "reading and researching,"

Next plans

- Our objective is to become an indispensable one-stop research hub for companies under \$2.5 billion market capitalization. It is a long journey. Our current publication is the first baby step in the journey.
- We are constantly thinking and brainstorming ways to add more value to buy-side professionals.
- We plan to add more "recurring screens" to the list and to expand our research scope.

To subscribe, please click [here](#)

Best,

Raghuraman S.S
Founder, Snowball Research

| Management change

The Aaron's Company, Inc. (AAN): The new management team at the helm after the spin-off; 18% buyback

Market Cap: \$821 million | The company is a technology-enabled Omni channel provider of lease-purchase solutions.

I. Spin-off & new management team

In November 2020, the company was spun-off from the Aaron's Holdings. Following the spin-off, the following officers were appointed:

- Douglas A. Lindsay – CEO
- Steve Olsen – President
- C. Kelly Wall - CFO
- Rachel G. George - General Counsel

II. Business model

- The lease-to-own business model - The Company provides customers with access to household products (home furnishings, electronics, appliances, computers, etc.) through affordable lease-to-own and purchase options.
- The customer has the option to acquire ownership of merchandise over a fixed term, usually 12 to 24 months, typically by making weekly, semi-monthly, or monthly lease payments.
- The company focuses predominantly on customers who have limited access to traditional credit sources.

III. What is interesting?

- Recurring revenue: During FY 2020, roughly 88% of the total revenue was generated from recurring revenue streams related to contracted lease payments.

- 66% repeat customers: As of December 31, 2020, the company enjoys a 66% repeat customer rate for the new leases the company entered into.

- Revenue growth unaffected by COVID pandemic: In Q4 2020, the company's same-store revenue increased 3.4%, and it is the sixth quarter of positive same-store revenue growth in the last eight quarters and the third consecutive quarter in a row.

- Negligible debt: Debt decreased from \$340.2 million in FY 2019 to \$0.8 million by December 31, 2020.

- Plan to reducing the number of stores by 20%-30% to improve profitability

- The company intends to reduce its 1,092 company-operated stores in existing markets by approximately 300 stores over the next 3 to 4 years.

- This new store concept features larger showrooms and/or re-engineered store layouts and a refined operating model.

- With this concept, the company plans to increase its EBITDA margin from 17% to 25%.

- Please see the below image where the company has explained this process with an illustrated case study.

- Growing e-commerce business

- Launched in 2015, within six years, e-commerce accounts for 11.5% of total revenue for FY 2020.

- The company's e-commerce website traffic increased consistently from 24 million in 2017 to 33.5 million in 2020.

- E-commerce lease revenues was up by 39% and traffic was up by 29% in Q4 2020.

IV. Why are we flagging this now?

In March 2021, the company authorized a \$150 million share repurchase program, roughly 18% of the o/s shares.

Real Estate Strategy Leads to Fewer, More Profitable Stores

Aaron's

Plan to reduce our store count
20% – 30% over the next 5 years

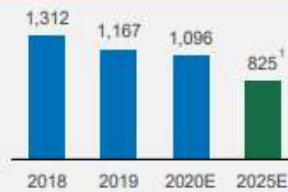
Site selection is driven by data analytics and insights into where customers live, work, and shop

Recurring revenue model produces compelling real estate consolidation opportunities

Expect increased capital efficiency, improved unit economics, and strong free cash flow

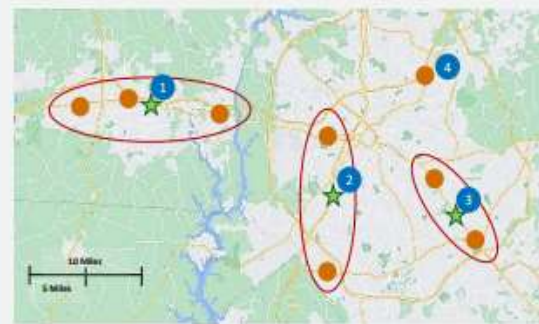


Company Store Count



¹ Represents the midpoint of our expected 20% - 30% reduction

Illustrative Case Study



● Existing Store ★ Proposed Site

Consolidation - Financial Case Study (\$ millions)

	Current		Change
	8 Stores	4 Stores	
Revenue	\$9.0	\$8.0	(\$1.0)
Store EBITDA	\$1.5	\$2.0	\$0.5
Margin	17%	25%	8%

STRATA Skin Sciences Inc. (SSKN): Possible sale? The new CEO is a serial entrepreneur who has sold/merged companies under his watch

Market Cap: \$56 million | STRATA Skin Sciences is a medical technology company in Dermatology and Plastic Surgery dedicated to developing, commercializing and marketing innovative products for the treatment of dermatologic conditions.

What is interesting?

I. The new CEO has a stellar track record

On March 1, 2021, the company appointed Robert Moccia as CEO.

- Sale of Precision Dermatology: During his tenure as CEO (2013 to 2014) of the company, a) he sold the company to Valeant for \$500 million, and b) he claims that the company's revenue doubled to more than \$100 million.
- Formation and merger of Chester Valley Pharmaceuticals: In 2004, Mr. Moccia formed the company with the backup of a PE firm (a secured \$75 million commitment). Under his watch, a) the company launched its first approved topical medical device and b) was merged with Graceway Pharmaceuticals.
- Sale of Bioglan Pharmaceuticals: In 1999, Mr. Moccia led the US subsidiary of Bioglan Pharmaceuticals, a dermatological company. During his tenure as CEO, (a) the US subsidiary was sold for \$27 million in 2002; b) subsequently, it was sold for \$183 million in 2004.

Most recently, he co-founded Encore Dermatology and served as its CEO from 2015 to March 2021.

II. Recurring revenue business model

Some basics

- The company's XTRAC® excimer laser and VTRAC® lamp systems are utilized predominantly in the treatment of psoriasis and vitiligo.
- Use? The company's laser products use a highly targeted beam of therapeutic ultraviolet light to treat affected skin areas without damaging surrounding healthy skin.

Recurring revenue

- The XTRAC excimer laser is marketed in the US mainly under a recurring revenue model. The company places the system in physician offices for no upfront charge and generates revenue on a per-use basis.
- In 2020, domestically, the company estimates that over 241,000 XTRAC laser treatments were performed with prices ranging from \$65 to \$95 per treatment.

III. Potential sale?

a) Accelmed's investment

- In 2018, US-based PE fund Accelmed invested \$13 million in STRATA Skin Sciences.
- As of now, Accelmed Growth Partners owns 35.84%, and Accelmed's managing partner, Dr. Uri Geiger, is serving as the chairman of the board.
- Accelmed originally invested in the company under the thesis that the company's laser product was not advertised directly to the customer and that the product could be resurrected by the resumption of advertising.

- Most importantly, as a part of the deal, the company appointed Rafaeli as CEO. He invested \$2 million in the company along with Accelmed. Rafaeli also has a good track record. Interestingly, prior to the appointment, he served as CEO of PhotoMedex. Under his watch, PhotoMedex's revenue increased by 15X to \$300 million.

b) What happened?

- Even though the company increased the number of systems that were placed in dermatologist offices, revenue has been stagnant for the past three years. In other words, revenue would have declined if the company did not increase the number of installations.
- The company believes that the treatment regimen can sometimes require up to 12 or more treatments and has limited XTRAC use to certain patient populations.
- Moreover, it has taken four years for the company to increase dermatologist office count by 7%.

Year	Number of systems	Revenue (\$, mm)
2016	775	31
2017	753	32
2018	746	30
2019	820	32
2020	832	23

c. Why do we think the new CEO would try to sell the company?

1. Given the stagnant revenue growth, despite an increase in the installed base, it is unlikely for the company to grow rapidly. Moreover, the current pandemic will act as an impediment to growth.
2. It has been roughly three years since the involvement of Accelmed - the company's stock price is more or less flat when the current price is compared with the stock price on the date of Accelmed's investment (May 2018). So, a sale of the company could help Accelmed fetch a higher return rather than running the company as a standalone entity.
3. The company's product could do better if it was acquired by a large firm that already had a strong national sales team focused on dermatologists - the sales team could sell Strata's laser product for a little additional cost.
4. Given the new CEO's track record, he may dress up the company for sale. He is a serial entrepreneur, and executives like him don't stick around in a company for decades.
5. The new CEO's employment agreement has a clause that pays him two times his base salary if the company is sold for twice the price from the date of his appointment.

Treatment Options Addressing Chronic Dermatologic Conditions⁶

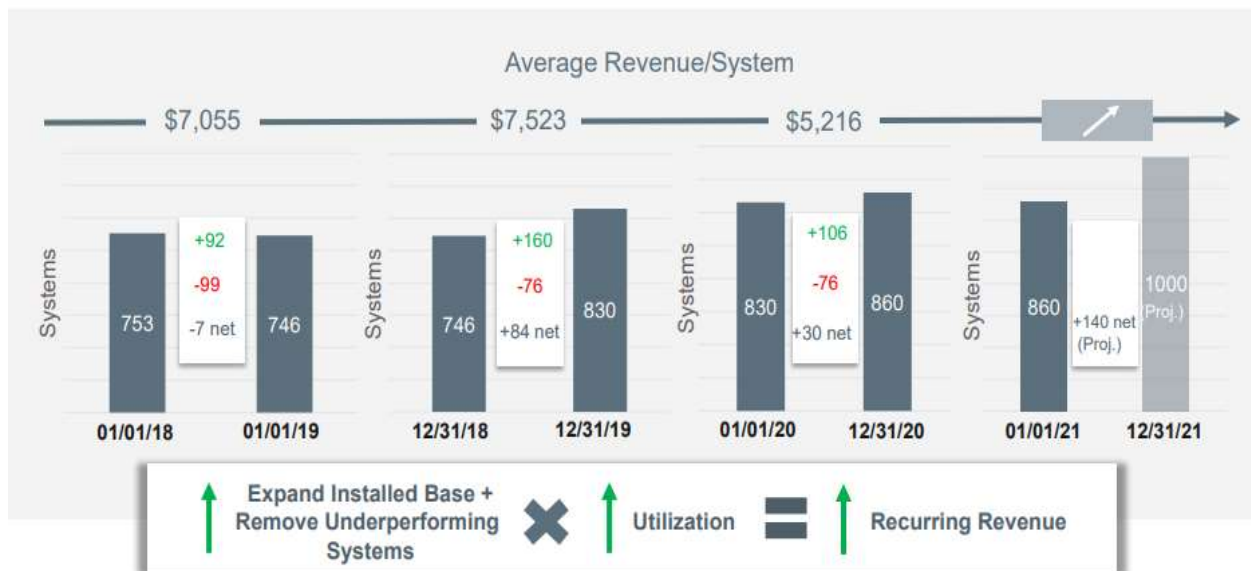
	XTRAC <small>LOW-COST, LOW-RISK</small>		NB-UVB*	Topical Steroids	Non-biologic Systemics	Biologics
Approximate Costs (\$)	Cost competitive	1K-3K	3K-9K	1K -7K	1K	32K-68K
Clinical Impact	Better clinical outcomes (PASI%75)	92%	71%	75%	48%	50-70%
Speed of Onset (in weeks)	Very fast rate of response	5	10	3	14	12
Days of Actual Care	Least days of actual care	18	80	294	52	12-65
Remission	Remission without maintenance	2.5 months	Continued with maintenance	Continued with maintenance	Continued with maintenance	Continued with maintenance
Adverse Events	Least significant side effects	Mild Temp	Mild Temp	Mild-Mod Temp-Lasting	Mild-Severe Temp-Lasting	Mild-Severe Temp-Lasting

*Narrow band UVB Light Therapy

STRATA
SKIN SCIENCES

Source: "Therapies for Psoriasis: Clinical and Economic Comparisons" in the November 5, 2020 issue of the Journal of Drugs in Dermatology.

Growing Installed Base Leading to Recurring Revenue Model



STRATA
SKIN SCIENCES

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Repro Med Systems, Inc. (KRMD): A nano-cap company attracts a new CEO who is one of the top executives of the \$84 billion Becton, Dickinson & Company

Market Cap: \$159 million | Repro Med Systems, Inc. manufactures and markets proprietary portable and innovative medical devices, primarily for the ambulatory infusion market.

What is interesting?

I. Linda Tharby: New CEO is a top executive of Becton, Dickinson, and Company

On March 19, 2021, the company appointed Linda Tharby as CEO.

- Rapid growth: Over the last 24 years, she moved up the corporate ladder from key account manager in 1996 to segment president of Life Sciences in October 2014, one of the top 13 executives of the company. Most recently, she served as EVP and chief customer experience officer of the company.
- High conviction? Becton, Dickinson, and Company is an \$84 billion company that sells medical supplies & devices. In contrast, Repro-Med Systems' enterprise value is a meager \$136 million.
- In our opinion, attracting a top executive of Becton, Dickinson, and Company is a big positive for Repro Med. On top of it, she has relevant experience.

II. Compensation structure

- Ms. Tharby will be granted three restricted stock awards, out of which two are notable.

- 200,000 shares vesting when the Company's market capitalization has attained specified levels for 90 consecutive days before April 12, 2026.
- 600,000 shares vesting based on specified net sales growth targets for each of the 2022 through 2025 fiscal years, which will vest in full upon the Company maintaining a specified run rate for at least two consecutive quarters after January 1, 2022.

III. Board and management shake-up in 2018

- After the involvement of Horton Capital, the company's CEO and CFO resigned in late 2018
- Moreover, 7 out of 9 directors were appointed after January 2018
- Horton Capital Management currently owns 27%
- No related party transactions -
- Clean governance
- From late 2019, the company started trading on the NASDAQ market.
- Track record of the chairman: In May 2019, the company appointed R. John Fletcher as a member of the board. On September 30, 2019, the company named R. John Fletcher as chairman. He is a former senior manager at the Boston Consulting Group. He served as a chairman of the board of Spectranetics, a medical device company. He was credited with the successful sale of Spectranetics for \$2.2 billion and received the 2018 Director of the Year

award by NACD. To read more, kindly click [here](#).

IV. Negligible debt

- Debt: \$239K
- Cash: \$27 million

V. Significant market share & recurring revenue

a. Some basics:

- The company has developed a subcutaneous (under the skin) infusion device, which is used to deliver immunoglobulin therapies in chronic diseases such as primary immunodeficiencies (PIDD), chronic inflammatory demyelinating polyneuropathy (CIDP).
- PIDD is an immune disorder which weakens the immune system allowing infections to occur more easily.
- CIDP is a neurological disorder -- a condition that targets patient's nerves.
- Immunoglobulin (IG) replacement therapy is a blood-based treatment. The immunoglobulin contains antibodies which will help fight infection since the immune system of the patient is not making antibodies.

b. How the company's product is different from its competitors

- Generally, intravenous immunoglobulin (IVIg) infusions are given by a medical professional through an IV cannula in the arm every 3-4 weeks.
- In contrast, using the company's product, a patient can self-administer the treatment at home, thus eliminating the need for monthly hospital or infusion center visits.
- To read more, click here - <https://www.korumedical.com/resource-center#row-4728>

c. Recurring revenue

- PIDD is a life-long disease. Even though the pump is designed to withstand day-to-day use, subcutaneous needle sets and precision flow rate tubing are single-use items. This helps the company to generate a recurring revenue stream.
- As per the company's presentation, the company generates \$750 annual recurring revenue per PIDD patient and \$1,500 annual recurring revenue per patient for chronic inflammatory demyelinating polyneuropathy.

VI. Other notes

- Future growth: The Company's growth strategy is three-fold: 1) increase awareness, 2) introduce additional innovative products, and 3) capitalize on the migration of many current therapeutics from in-patient use to the global home health marketplace and the emerging pipeline of new drugs targeting home delivery through the subcutaneous route.
- Is penetration in Europe difficult? This is an excellent article written by Quim Abril, president and portfolio manager of Draco Global Sicav at Gesiuris AM. This article argues that the company may not be successful in Europe. <https://www.fundssociety.com/en/opinion/portfolio-manager-diary-how-do-we-contrast-the-information-obtained-when-we-analyze-a-company>
- Latest quarter results: Net sales were \$4.1 million for Q4 2020, a 34.8% decrease from \$6.2 million in Q4 2019. Net sales were down primarily due to inventory in the channel from the precautionary buying related to COVID-19 in the first half of the year and the large early order placed in the

third quarter of 2020, as well as lower international sales and novel therapies

sales, which currently include clinical trial sales.

OUR CORE BUSINESS OPPORTUNITY

UNDERPENETRATED MARKETS = COMPELLING GROWTH OPPORTUNITY
EXCLUDES OTHER DISEASE STATES AND SECONDARY IMMUNE DEFICIENCY DISEASES

Primary Immunodeficiency Disease
400+ immune diseases
\$750
Annual Recurring Revenue Per PIDD Patient

Chronic Inflammatory Demyelinating Polyneuropathy
Expanded Indication
\$1,500
Annual Recurring Revenue Per Patient (Assumes 2 treatments per week)

\$375 M
Total U.S. Addressable Market

500,000
Undiagnosed U.S. PIDD Population

5%
Total U.S. Market Penetration (KRMD)

Market leader
High patient retention

6,000,000
Estimated Global PIDD Patient Population; High Potential for Additional Diagnosis

\$37.5 M
Total U.S. Addressable Market

25,000
U.S. CIDP Population

US PIDD patient population data from <https://www.cshhs.org/patients/what-your-disease/immunodeficiency-and-autoimmune-disease>
Global PIDD patient population data: <https://www.korumedical.com/press/2020/03/23/2020-03-23-krmd-press-release>
CIDP patient population 2018 from <https://www.apc.com/clinical-trials/2018/03/23/2018-03-23-krmd-press-release>
Other figures are KORU Medical estimates.

NASDAQ: KRMD

New Life, New Beginnings -9-

INVESTMENT HIGHLIGHTS



- **Leading product market share** for subcutaneous, at home immunoglobulin (SCIg) drug therapy.
- Significant **catalysts for long-term growth** in current core addressable markets of PIDD and CIDP.
- Pursuing **multiple, long-term growth pathways and TAM expansion** within and outside of current core addressable markets
- Well-capitalized with **no debt, simple capital structure**
- Attractive economics: **high product loyalty with low churn; recurring revenue** via razor / razor blade model; strong **operating leverage and cash flow potential** as company grows.



After majority board change, Mack Cali Realty appointed a new CEO who recently sold a company that he led

Market Cap: \$1.4 billion | Mack-Cali Realty Corporation (NYSE: CLI) is a leading owner, manager, and developer of class A office and luxury multifamily real estate throughout New Jersey.

What is interesting?

I. Major board shake-up

- In early 2019, the company rejected Bow Street's proposal to acquire the company's office portfolio.
- Subsequently, Bow Street nominated four candidates for election to the board at the 2019 AGM and lost the election.
- In 2020, Bow Street again launched a proxy campaign. In June 2020, the company entered into a letter agreement with Bow Street. Pursuant to the agreement, eight nominees of Bow Street joined the board. As of June 2020, eight out of nine directors are representatives of Bow Street.

II. New CEO has a good track record

On March 3, 2021, the company announced the appointment of Mahbod Nia as CEO of the company.

Restructuring and subsequent sale of NorthStar Realty Europe Corp:

Mr. Nia served as CEO of NorthStar Realty Europe Corp. since its formation in 2015 till the sale of the company in 2019.

During his tenure as CEO:

- Restructuring, repurchase, and repayment of debt: Mr. Nia made several strategic decisions starting in 2018 - he paid regular dividends, initiated a \$100

million share repurchase plan, and cut down the company's debt from \$1.2 billion to \$680 million through \$1 billion of strategic asset sales in 2018.

- Sale of the company: In September 2019, NorthStar Realty Europe was acquired by AXA Investment Managers - Real Assets.
- During his tenure, the company's stock price increased by 50%.

Prior to this, he served in various capacities in Colony Capital, Goldman Sachs, and Citigroup.

III. Strategic shift - transition to residential REIT:

- Sale of suburban office portfolio: In December 2019, the company decided to sell the suburban office portfolio. In late 2019 and through December 31, 2020, the company sold 20 suburban office properties for \$377.4 million and expects to complete the remaining suburban office portfolio properties in 2021.
- After the completion of the suburban office portfolio sales, the company's holdings will consist of its waterfront class A office portfolio and its multifamily rental portfolio, and related development projects and landholdings.

IV. High-quality tenants and properties

- The company believes that its properties attract high-quality tenants and residents and achieve high rental occupancy and tenant/resident retention rates within their markets.

- Multi-family residence - Roseland's stabilized operating portfolio was 92 percent leased on December 31, 2020.
- Office: The Company's consolidated core office properties (including discontinued operations) were 78.7 percent leased on December 31, 2020.

- Roseland properties: (a) The Company claims that its fully-funded development projects will yield a 6.14% weighted average projected development yield, and its Roseland share of stabilized NOI contribution was \$54.5 million. (b) The company claims that its Roseland properties are worth more than its peers.

MACK-CALI®

Establish Roseland as an Optimized Platform

Maintain Operational Excellence

- RRT is worth more per building & per door than its peers
- Younger projects with higher potential for rent growth

	ROSELAND RESIDENTIAL TRUST MULTIFAMILY RESIDENTIAL INVESTMENT	AvalonBay	Aimco	CAMDEN	ESSEX RESIDENTIAL TRUST, INC.	Equity Residential	MAA	UDR
Number of Properties	24	289	125	293	248	320	300	176
Number of Units	5,499	83,371	32,767	65,298	68,993	81,809	100,279	53,631
Average Monthly Rent per Unit	\$1,996	\$2,629	\$2,254	\$1,599	\$2,399	\$2,841	\$1,290	\$2,255
Average Asset Age	8 years	15 years	40 years	16 years	26 years	22 years	17 years	27 years
Total Enterprise Value ⁽¹⁾	\$3.8bn	\$29.8bn	\$10.4bn	\$11.8bn	\$21.9bn	\$30.5bn	\$17.8bn	\$16.4bn
Total Enterprise Value per Unit ⁽²⁾	\$699k	\$357k	\$316k	\$181k	\$317k	\$373k	\$178k	\$305k
'20A - '21E NOI CAGR	11.1%	6.0%	0.4%	7.9%	2.4%	1.5%	4.4%	3.3%
Land & Development as % of Assets	19.1%	9.6%	2.3%	5.0%	3.5%	1.8%	2.6%	1.4%
LTM Capex Per Unit ⁽³⁾	\$822	\$2,231	\$1,087	\$1,505	\$1,629	\$2,075	\$1,908	\$2,126

Note: Comparable data is as of July 2020. Sources include Green Street Advisors and CBRE.
 (1) NAV metrics reflect last published RRT NAV adjusted to reflect portfolio sales as of YE 2020. EV per unit premium due to methodology discrepancy.
 (2) The Company's lower capex spend is due to the newer age of its apartment assets.

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Ontrak Inc. (OTRK): After losing a major customer, a small-cap company appoints a top executive of \$172 billion CVS Health

Market Cap: \$668 million | Ontrak, Inc. is a leading AI-powered and telehealth-enabled, virtualized healthcare company.

The company's PRE™ (Predict-Recommend-Engage) platform predicts people whose chronic disease will improve with behavior change, recommends effective care pathways that people are willing to follow, and engages people who are not getting the care they need.

I. Loss of a significant customer

- In February 2021, the company announced the loss of one its primary customers, Aetna, which accounted for approximately 58% of FY 2020's total revenue.
- On this news, the company's stock crashed by 49%.
- The company decreased its revenue guidance for the year 2021 from \$165 million to \$100 million in light of the customer loss.
- The CEO argued that the relationship with this Aetna is unique - the primary motive of Aetna is to achieve the lowest possible cost per medical visit. Aetna is not bothered about the clinical outcomes data or medical savings.

The relationship with our Ontrak-A customer was unique, because they evaluated Ontrak on a provider basis, not as a vendor as do all of our other health plan partners. As such, the customer evaluated our performance based on our ability to achieve the lowest possible cost per medical visit, and not on our clinical outcomes data or medical cost savings,

which were meaningful and significant. Unlike our other health plan partners, we interacted only with the behavioral health division, with no involvement from the medical division of the plan. We believe that the coaching model which Ontrak has pioneered for over a decade was seen by the customer to be less relevant to their performance metrics. We have consistently found that our care coaches have a tremendously positive impact on member experience and readiness to engage with the healthcare system. This is the reason that many digital healthcare apps are now building care coaching into their products. We have a strategy in place to regain the Ontrak-A business, and are currently in late stage discussions with other customers whose metrics align with our value proposition of an integrated approach to whole health that delivers an average ROI of 3.7, average cost savings of 40% to 50%, and durable clinical outcomes with exceptionally high program retention and member experience scores. Collectively, we have a market opportunity of over \$30 billion.

II. New CEO has a strong track record

On 16th March 2021, the company appointed Jonathan Mayhew as CEO.

a) Top executive at CVS Health (EV: \$172 billion; Revenue: \$267 billion):

- Mr. Mayhew was one of the top fifteen executive officers in CVS Health, a diversified health services company.
- Mr. Mayhew most recently served as EVP and chief transformation officer (CTO) of CVS Health.

b) Top executive at Aetna:

- Mr. Mayhew served as president of US Markets for the Aetna Health Care Business, where he was responsible for \$52 billion in revenue and \$4.3 billion in operating income for all commercial and Medicare business lines.
- In 2018, CVS health acquired Aetna.

III. Can he bring back Aetna?

- Mr. Mayhew has more than six years of a working relationship at Aetna – at a senior level – both before and after the CVS Health acquisition of Aetna.
- Given his past ties, after joining Ontrak, he may be able to tweak the offering to satisfy Aetna's performance metric and bring back Aetna. In other words, he is the only hope for bringing back Aetna.

IV. Ontrak's stellar growth rate even after excluding Aetna

- Stellar revenue growth after excluding Aetna: Revenue excluding Aetna for FY 2020 is \$34 million. For FY 2021, the company expects the revenue to be around \$100 million, out of which roughly \$18 million is expected to be

generated from Aetna. Excluding Aetna, the revenue would be \$82 million. So, if you compare revenue excluding Aetna, the revenue growth for the FY 2021 (expected) is a staggering 141%.

- Gross enrollment for the two months ended February 28, 2021, excluding Aetna, was 2,683, reflecting a 60% annualized enrollment rate.

V. Concerns

Customer concentration: Four customers accounted for 94% and 85% of total revenue for FY 2020 and FY 2019, respectively.

Overall-

- Terren S. Peizer, founder and outgoing CEO, owns 57% of the o/s stocks. His ability to convince Jonathan Mayhew to serve as a CEO is a great effort.
- Mr. Mayhew's appointment raises our eyebrow – why did he leave a top-ranked job at a \$172 billion company to lead a company that expects to generate \$100 million in FY 2021? Mr. Peizer most recently claimed that the company is only scratching the surface of our \$33 billion opportunities and has a massive untapped opportunity. Maybe Mr. Mayhew also sees this opportunity.

InterDigital, Inc. (IDCC): A short note about the CEO change

Market Cap: \$1.9 billion | InterDigital, Inc. (IDCC) is a mobile and video technology research and development company.

I. New CEO was a Global Head of IP at Qualcomm

On March 16, 2021, the company appointed Liren Chen as the company's CEO, effective April 5, 2021.

Top executive at QUALCOMM (QCOM) (Market Cap: \$148 billion; Revenue: \$27 billion):

- Mr. Chen most recently served as SVP, global head of IP, and legal counsel of QUALCOMM since August 2019.
- Mr. Chen is an IP and technology expert and holds 28 granted patents in the US and over 120 granted patents worldwide.
- He has been extensively involved in rolling out 4G and 5G license programs with the top mobile phone manufacturers worldwide.

II. Royalty revenue

a) Royalty business model

- Patent royalty account for 97% of revenue.
- The company generates roughly 97% of total revenue from royalty.
- The company holds a portfolio of approximately 28,000 patents and patent

applications related to wireless, consumer electronics, display technology, and video coding, etc.

- Three customers account for 68% of revenue: Apple, Samsung, and Huawei comprised approximately 31%, 22%, and 15% of total 2020 revenues, respectively. Certain companies, such as Samsung, Panasonic, NEC, Kyocera, and Sharp, have been customers / under license for more than 20 years. Apple has more than ten years of relationship with the company.
- Due to patent rights' exclusionary nature, the company does not compete, in a traditional sense, with other patent holders for patent licensing relationships or sale transactions.

b) Strong patent portfolio

- The company's patents and applications comprising its portfolio relate predominantly to cellular wireless standards, including 3G, 4G, and 5G technologies.
- The company's share of likely 3G SEPs averages close to 10%, and its 3G SEP portfolio was ranked as either the second or third strongest among all industry participants
- The company's share of likely 4G SEPs ranges from 7% to -10%. InterDigital's LTE portfolio ranked between the third and fifth strongest in the industry.

Monro: A short note about the CEO change

Market Cap: \$2.2 billion | Monro provides automotive undercar repair and tire sales and services.

Monro is a chain of 1,283 Company-operated stores (as of March 28, 2020), 98 franchised locations, eight wholesale locations, three retread facilities and two dealer-operated stores providing automotive undercar repair and tire sales and services.

I. New CEO is a former top executive of Advance Auto Parts

On March 15, 2021, the company appointed Michael Broderick as CEO, effective April 5, 2021

- A former top executive of Advance Auto Parts
 - He is one of the top five executives of Advance Auto Parts (market cap: \$12 billion; revenue: \$10.1 billion).
 - The CEO of Advance Auto Parts credited him for helping to launch many of the strategic initiatives and improving merchandising and supplier relationships.
- He claims that:
 - During his tenure at Canadian Tire Corp (2014 -2016), he operated 91 company-owned stores and delivered financial performance never achieved in the organization's 20-year history.
 - During his tenure at General Parts / CarQuest (2009-2012), he was the first non-family member to be named president. During his tenure, he reduced \$20 million costs within 18

months and eliminated \$40 million of unproductive assets.

- During his tenure as CEO (2012-2013) of Federal-Mogul Corporation, he established a restructuring program and reversed the pattern of declining revenue.

II. Major management changes

Eight out of the top ten executives are appointed after mid-2019.

- March 2021: CEO
- February 2021: SVP - Training
- August 2020: VP - Finance
- August 2020: SVP - Retail Operations
- October 2020: EVP - Chief Legal Officer and Secretary
- August 2020: Interim CEO
- September 2019: COO
- September 2019: VP - Information Technology
- June 2019: VP- Risk & Safety Management

III. Others

- Third largest in the US: The Monro, Inc. brand portfolio features 10 of the USA's leading auto service and tire brands. Monro is the USA's third-largest independent tire dealership.
- The company has a strong position in the Northeast, Great Lakes, and Mid-Atlantic, and it is expanding into Southern and Western markets.
- Revenue growth: The Company's revenue in the last ten fiscal years has grown consistently from \$636 million in FY11 to \$1.25 billion in FY20.

- Store rebranding: The Company has completed the rebranding and reimagining of 104 stores in attractive markets and will complete the transformation of ~150 stores in FY21.
- Increased focus on tire business: The Company increased its tire store count from 514 in FY 2016 to 784 in FY 2020, a 53% increase in five years.
- Strong free cash flow generation: During the first nine months of fiscal 2021, the company generated approximately \$159 million in operating cash flow compared to \$126 million for the same period last year.



Investment Highlights



- Leading chain of Company-operated undercar care facilities in the U.S. with a wide breadth of product and service offerings
- Strong position in Northeast, Great Lakes and Mid-Atlantic and expanding into Southern and Western markets with a presence in 32 states
- 19 years of consecutive annual sales growth
- Low cost operator with solid operating margins
- Well-positioned to capitalize on a favorable industry backdrop
- Monro.Forward strategy creating a scalable platform to drive sustainable growth, with a focus on operational excellence to increase overall customer lifetime value
- Significant growth opportunity to execute disciplined acquisition strategy in a highly fragmented industry
- Strong balance sheet and cash flow
- Delivering consistent shareholder returns through dividend program

17

MRC Global Inc. (MRC): Ultra-short notes about the new CEO

Market Cap: \$819 million | MRC Global is the largest distributor of pipe, valves and fittings (PVF) and other infrastructure products and services to the energy industry, based on sales.

On March 9, 2021, the company announced the appointment of Rob Saltiel as CEO.

- **Key Energy Services, Inc.:** Mr. Saltiel served as CEO of Key Energy Services from Aug 2018 to Dec 2019. During his tenure, the company's stock price crashed by 99%.

- **Sale of Atwood Oceanics:** Mr. Saltiel served as CEO of Atwood Oceanics from 2009 to 2017. During his tenure, the company's share price crashed by approximately 74%. Mr. Saltiel sold the company to Ensco Plc for roughly \$860 million, which is way below the aggregate market value of \$1 billion at the time of his appointment.

It is to be noted that the above two companies' performances are tied to oil prices. As such, we may not be able to attribute the entire poor stock price performance on the CEO's shoulders.

New compensation structure of Super Micro Computer's CEO: \$1 base salary, no cash compensation, and long-term compensation tied to revenue and stock price

Market Cap: \$1.9 billion | The company develops and manufactures high-performance server and storage solutions based on modular and open architecture.

What is interesting now?

Background about Charles Liang

- He founded the company and has been serving as CEO since 1993.
- He owns roughly 14.5% (excluding stock options) of the o/s stocks.

I. \$1 base salary and no cash bonus till 2026

On March 2, 2021, the company announced that Mr. Liang would receive a base salary of \$1 (his prior base salary: \$386K) and no cash bonus through June 30, 2026.

II. Long-term performance-based option tied to revenue and stock price

On the same day, the company awarded a long-term performance-based option award to purchase up to 1,000,000 shares of its common stock, which may vest in five equal tranches. It is tied to revenue goal and stock price goal, and it must be achieved on or before FY 2026.

The compensation structure is perfectly aligned with the long-term shareholders. At the same time, it is insanely difficult to achieve. Why?

- Each of the five tranches vests if, and only if one specified revenue goal and one specified stock price goal is achieved.

- Moreover, the exercise price is \$45 – in its entire trading history, the company did not achieve this stock price. It is very strange for a CEO to structure an "exercise price," which is 33% more than the current stock price, which in turn is trading at a peak level.

Overall-
If he achieves the final goals, the options would be worth more than \$75 million (assuming he holds the stocks after achieving the intermediate goals).

Revenue goals

Revenue Goals(1)	Absolute Change From Revenue Reported for the Fiscal Year Ended June 30, 2020(2)
\$4.0 billion	20%
\$4.8 billion	44%
\$5.8 billion	74%
\$6.8 billion	104%
\$8.0 billion	140%

Stock price goals

Stock Price Goals	Absolute Change in Stock Price from Current Price(2)	Absolute Change in Stock Price from \$45 Exercise Price
\$45	32%	0%
\$60	76%	33%
\$75	120%	67%
\$95	179%	111%
\$120	252%	167%

Source

<https://www.sec.gov/ix?doc=/Archives/edgar/data/1375365/000137536521000022/smci-20210301.htm>

Accounting problems: Restatement, NT & reportable events (audit firm change)

Ebix Inc (NASDAQ: EBIX): As of now, the problem doesn't look significant

Market Cap: \$769 million | The company provides On-Demand software and E-commerce services to the insurance, financial and healthcare industries.

I. Accounting fiasco

a) Audit firm resigns due to disagreement:

- On February 19, 2021, the company announced that RSM US resigned as an accounting firm.
- RSM informed the company that there was a disagreement with a pending acquisition - in December 2020, the company transferred \$30 million to a commingled trust account of its outside legal counsel that was not under the direct control of the company and classified the funds as cash on its balance sheet. RSM argues that these funds could not be classified as cash but could be classified as other current assets.
- Moreover, RSM resigned as a result of being unable, despite repeated inquiries, to obtain sufficient appropriate audit evidence that would allow it to evaluate the business purpose of significant unusual transactions that occurred in the fourth quarter of 2020. RSM also stated that the company's internal control over financial reporting was not effective.

- Share price crash: On this news, the company's share price crashed by 40%.

b) Delinquent filing: On March 01, 2021, the company announced that it would delay its 10-K for 2020.

c) New audit firm: On March 5, 2021, the company appointed KGS as its new accounting firm.

II. Our comments

a) Problem over \$30 million cash balance

How to account for the \$30 million that was transferred to a trust account on account of an acquisition is not a result of fraud or misappropriation. It is a matter of difference of opinion over the usage of accounting principles.

b) Unusual items: The audit firm expressed its concerns over the transactions related to the company's gift card business in India. It also added that the management did not have the necessary control over the gift or prepaid cards.

Overall,

- It is not significant: The unaudited operating income from the gift card business was less than \$1.4 million for the full year 2020 and less than \$1 million for Q4 2020. So, this is not a significant amount.
- Even though it is not significant, is there any misappropriation? As of now, no misappropriation has been reported. In Q4 2020, the company's gift card business revenues grew substantially due to the increased use of digital money in India during the Covid-19 pandemic.
- Our best guess is that the management did NOT expect a huge surge in gift card usage and did not have the required personals to meet the sudden jump in demand.
- Currently, the company expects to file the 10-K by April 20, 2021.

Vinco Ventures Inc. (BBIG): Delaying 10-K filing after signing merger agreement

Market Cap: \$48 million | Vinco Ventures, Inc. is a mergers and acquisition company focused on digital commerce and consumer brands.

Merger:

- On January 20, 2021, the company entered into a merger agreement with ZASH Global Media and Entertainment Corporation.
- Extension to the merger: On March 30, 2021, the company and ZASH have extended the period to close their merger until May 28, 2021, in order to provide the parties with additional time to formalize a final plan of merger.

Delinquent filing

On the same day, March 30, 2021, the company announced that it will delay its

10-K filing for the fiscal year ended December 31, 2020, and will file it on or before April 9, 2021.

Share price reaction:

On this news, the company's share price crashed 25% (from \$3.43 per share on March 29, 2021, to \$2.55 per share on March 30, 2021).

Our comment

Our best guess - the price crash signifies that investors are worried that the merger will be called off due to the delay in the 10-K filing.

Status: pending

13G & 13F

Potbelly Corp. (PBPB): The newly appointed former top executive of Wendy's is executing a turnaround strategy

Market Cap. \$164 million | Potbelly Corporation is a restaurant chain that sells submarine sandwiches and other edibles.

On March 22, 2021, Soviero Asset Management, LP disclosed a 5.1% passive stake in the company. Soviero Asset Management, LP is the investment manager to opportunistic, long-short equity and credit fund focused primarily on leveraged capital structures. The firm, led by Chief Investment Officer Thomas Soviero, employs a flexible investing approach across three asset classes, equities, high yield, and convertible bonds.

What do we like?

I. New CEO has a stellar background

We first flagged this idea in July 2020 when the company announced the appointment of Robert D. Wright as CEO.

A top executive at The Wendy's corporation

- Most recently, he served as EVP & COO of The Wendy's Company.
- During his tenure at Wendy's, he claims that he ran operations for over 6,000 company and franchise restaurants operating in the US and Canada and led

the reorganization efforts associated with the transition of 1,100 company restaurants to franchise ownership. He also claims that he created and executed Wendy's operations strategy: Delight every customer.

- Attracting top talent from Wendy's Corporation, a hotel chain with \$5.2 billion revenue, is a big positive for Potbelly, a micro-cap company.

II. Notable compensation structure

- **\$1 salary:** Moreover, under the executive employment agreement, Mr. Wright will be paid a base salary of \$1.00 for the period commencing on his hire date through June 30, 2021, and an annual base salary of \$650,000 for the remainder of the term.
- Moreover, the company awarded 700K performance stock units (PSU) to him. As per the terms, he will receive the 700K PSU if the stock price reaches \$8 in the "pre-change in control" and \$7 in the "change in control" scenario.
- Overall, if the stock price reaches \$8, the stock unit will be worth over \$3.9 million.

Percentage	Pre-Change in Control: Target Thirty (30)-day volume weighted average price (VWAP) of a Share	Change in Control: Target price per share received by company shareholders on closing of Change in Control transaction
40%	\$4	\$3
40%	\$6	\$5
20%	\$8	\$7

III. Significant management changes after the appointment of new CEO

Four out of five top executives are new in the last year.

- December 2020 - Chief Legal Officer
- September 2020 – COO
- July 2020 – CEO
- April 2020 – CFO and Chief Strategy Officer

IV. Right-sized cost structure

- Massive lease negotiation effort: As of December 2020, the company has amended 321 lease agreements for its restaurants to reduce the ongoing rent and completed early terminations of leases for 28 restaurants.
- Corporate restructuring: During the fourth quarter of 2020, the company implemented a corporate restructuring plan to reduce annual G&A expenses by \$3.5 million to \$4.0 million.
- In the back half of 2020, weekly cash burn decreased from the targeted \$0.50

million per week average to \$0.44 million, driven by retired lease repayments and including restructuring costs and deferred salary repayment.

V. Same-store sales: The Company experienced a sequential improvement in same-store sales (SSS) over seven of the last eight months.

VI. Renewed focus on franchise

- Out of the total 446 restaurants the company operated, 46 are franchise restaurants.
- The company did not open any new franchise restaurants in 2020.
- In the recent conference call, the CEO outlined his five pillars of his strategy – one of it is franchise-focused development. He expects three to five new franchise shops in 2021 and expects to see significant annual growth in 2022 and beyond.

BioDelivery Sciences International (BDSI) turned profitable after years of losses

Market Cap. \$370 million | BioDelivery Sciences International is a rapidly growing specialty pharmaceutical company working to deliver innovative therapies for individuals living with serious and debilitating chronic conditions.

What we like?

I. Rise of BELBUCA (87% of revenue)

- BELBUCA accounted for 87% of the total sales for the year 2020.
- Use of BELBUCA: It is indicated for the management of pain severe enough to require daily, around-the-clock, long-term opioid treatment.
- Strong revenue growth: After re-acquiring the commercialization rights for BELBUCA in 2017, Belbucan's revenue grew from \$46 million in 2018 to \$136 million in 2020.
- Growing market share: (a) In Q4 2020, the BELBUCA TRx market share increased by 36% YoY to 4.5% of the large, long-acting opioid (LAO) market. Its Q4 2020 TRx volume has increased +20.6% vs. Q4 2019. (b) In Q4 2020, BELBUCA's new-to-brand (count of patients starting a prescription drug who have not previously used the product) market share was 7.8%, grew from 7.4% in the third quarter, significantly above its TRx share of 4.5%. (c) In Q4 2020, its unique prescribers increased 9% YoY.

II. Symproic (9.4% of revenue) increasing market share

- Why is it used? Opioid-induced constipation occurs in approximately 94% of

cancer patients taking opioids for pain and 41% of people taking opioids for chronic non-cancer pain. Symproic blocks the opioid receptors in the gut and allows opioids to effectively target the pain.

- Patent: In April 2019, the company acquired the commercialization rights to Symproic. Its patent exclusivity is through 2031.
- Symproic market share has increased from 11.1% in Q4 2019 to 13.5% in Q4 2020. Symproic Q4 2020 prescriptions reached a new high of over 18,700, representing a solid 9.6% increase year-over-year compared to Q4 2019 and a 3.4% increase over Q3 2020.
- Symproic net sales for 2020 were \$14.7 million in its first full year of commercialization by the company.

III. Strong growth and profitability

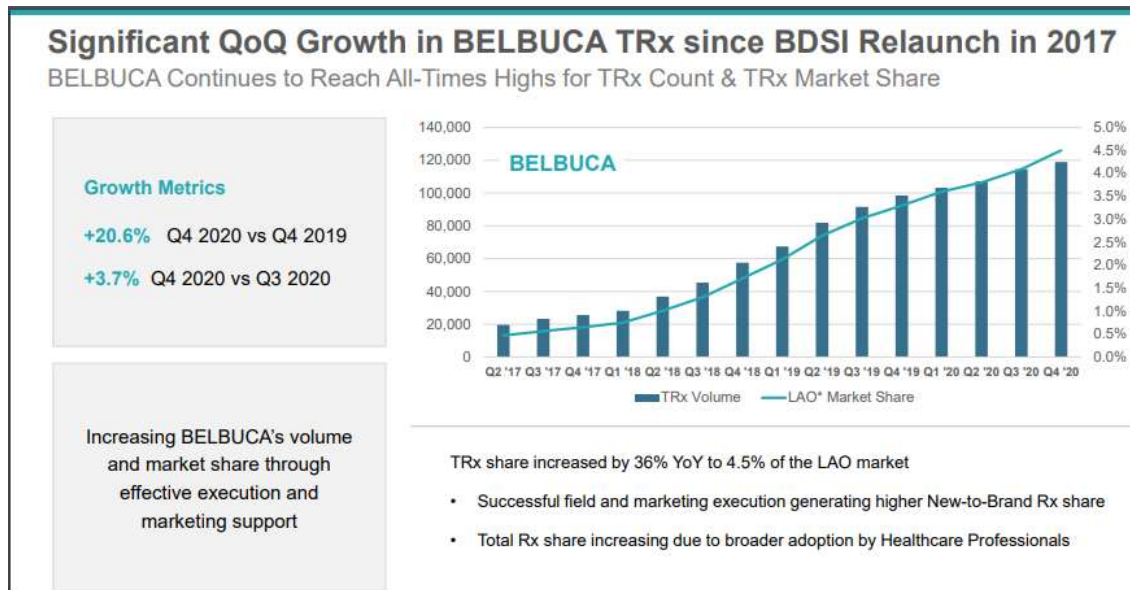
- Strong revenue growth: Due to the growth of BELBUCA sales and from the Symproic acquisition, the company's revenue increased from \$55.6 million in 2018 to \$156 million in 2020. During the same period, net income improved from \$(46.3) million to \$25.7 million.
- Turned profitable: After a series of losses from operations, the company posted operating profit in the last seven quarters consequently.
- 2020 full-year EBITDA was \$40.5 million, or 26% of net sales, as compared to EBITDA of \$12.5 million, or 11% of net sales in 2019. This marks the second straight year of positive EBITDA for the company.

- The revenue growth and the working capital improvements resulted in a positive operating cash flow of \$11 million in the fourth quarter and a total of \$25 million in 2020.

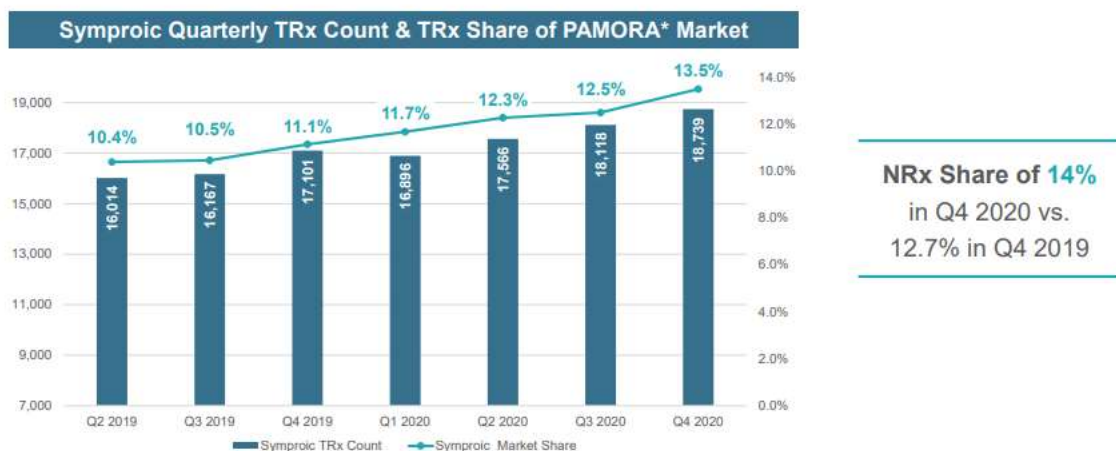
- Latest quarter results: Total company net revenue for the fourth quarter of 2020 was a record \$42.2 million, an increase of 33% compared to \$31.6 million in the fourth quarter of 2019, and an increase of 7% compared to \$39.4 million in the third quarter of 2020.

Others

- Repurchase: In November 2020, the company announced a \$25 million share repurchase program.



Symproic® TRx Count & Share Reach New Highs Since Acquisition



Ampco-Pittsburgh Corporation (AP): Turnaround by the CEO

Market Cap: \$126 million | Ampco-Pittsburgh Corporation (NYSE: AP) manufactures and sells highly engineered, high-performance specialty metal products and customized equipment utilized by industry throughout the world.

Basics

Forged and Cast Engineered Products (FCEP)

- This segment account for 72% of total revenue.
- Forged engineered products ("FEP") produces forged hardened steel rolls, cast rolls and open-die forged products. The products are principally sold to customers in the steel distribution market, oil and gas industry and the aluminum and plastic extrusion industries.

Air and Liquid Processing

- This segment account for 28% of total revenue.
- Manufactures products such as heat exchangers, custom designed air handling systems, and centrifugal pumps used in a variety of end markets.

What we like?

a) Market share and huge installed base

- Market share:
 - Union Electric Steel Corporation ("UES") is an indirect subsidiary of the company. UES is the largest non-government-owned roll manufacturer in the world.
 - UES's market share in the open-die forging market is 2.4%. The company

expects to triple its market share by 2022.

- Aerofin - Division of Air & Liquid Systems Corporation:
 - Aerofin is the #1 heat exchanger supplier to the North American nuclear power generation market.
 - Equipment is installed in 93% of all North American plants.
- Buffalo Pumps - Division of Air & Liquid Systems Corporation:
 - Pumps installed in critical applications onboard 80% of the ships in the US Navy's surface fleet.

b) Major management change in 2018 & subsequent turnaround

CEO & CFO change

- July 2018 - CEO
- March 2018 - CFO

Turnaround by selling non-core and non-profitable business:

- The company has been generating operating losses since 2015. After the appointment of J. Brett McBrayer as CEO in July 2018, the company introduced various restructuring activities to attain profitability.
- In November 2018, the company announced its commencement of restructuring to focus on core business.
- In 2019, the company sold all ASW Steel Inc. and certain personal property of Akers National Roll Company, which has incurred significant losses in 2018 and 2019. The company claims that it improved the income from operations by \$9 million - \$10 million annually.

- The company also initiated a reduction in workforce and improvement in manufacturing efficiency.

Reduction in debt by 47%

- In FY 2020, the company's total debt was reduced to \$37.2 million, a decrease of \$33.6 million or 47% from December 31, 2019, through proceeds from the sale of segment/plant and equity rights offering (\$19.2 million).

Profitability

	Gross margin %	EBIT (\$, mm)	Net income (loss) (\$, mm)
Q1 2018	18%	-1.7	1.3
Q2 2018	16%	-0.2	-2.7
Q3 2018	17%	-2.8	-6.4
Q4 2018	13%	-40	-59.7
Q1 2019	16%	-11.9	-14.7
Q2 2019	18%	-0.7	-3.6
Q3 2019	17%	-1.3	-4.6
Q4 2019	22%	3	3.4
Q1 2020	23%	4.3	4.6
Q2 2020	20%	-0.1	0.8
Q3 2020	21%	0.1	1.2
Q4 2020	22%	2	2.4

- The gross margin significantly improved from 2018 to 2020.
- After a series of losses from FY 2015 to FY 2018, the company became profitable in Q4 2019.
- In March 2021, the company posted its first full year of profitability despite the impact of COVID-19.
- The company delivered free cash flow from continuing operations of \$33.6 million in 2020.

Future cost savings plan

- The company expects to become a two-forge facility from its current three-forge facility and expects to replace the

single-purpose machines with multi-purpose machines.

- The company claims that it will provide an annual savings of \$9 million - \$12.5 million.

Adtalem Global Education Inc. (ATGE): A rich collection of high-quality assets

Market Cap: \$1.9 billion | Adtalem Global Education is a leading workforce solutions provider.

a) Chamberlain University

- This university accounts for roughly 48% of total revenue.
- It offers a nursing program in the US.
- This university ranks #2 in terms of 2019 enrollment in the US nursing schools.

b) Medical and veterinary schools

- This segment (both medical and veterinary schools) accounts for roughly 34% of total revenue.
- *Medical*
 - Big four: The company's two medical colleges, American University of the Caribbean School of Medicine ("AUC") and Ross University School of Medicine ("RUSM"), are among the "Big Four" Caribbean universities for medicine.
 - High pass percentage: US Medical Licensing Examination ("USMLE") is required to practice medicine in the US. More than 90% of students from these two universities pass the step-1 exam to practice in the US.
 - The students in these two colleges are (a) authorized to participate in clinical rotations in the majority of US states and (b) eligible to participate in the US Federal Direct Student Loan Program.
 - Suggested reading: <https://sites.google.com/site/list-medicalschool/who-are-the-big-four-caribbean-medical-schools>

• Veterinary school

- One out of every twenty US veterinarian is a Ross University School of Veterinary Medicine graduate.
- It is one of 53 American Veterinary Medical Association accredited veterinary education institutions in the world.

c) Financial Services

- This segment accounts for approximately 18% of total revenue.
- Certified Anti-Money Laundering Specialist (CAMS) is recognized as the gold standard in anti-money laundering certifications by institutions, governments, and regulators worldwide.
- Becker Professional Education provides CPA exam review, CMA exam review, and continued professional education. (a) From 2005-2019, more than 90% of all Watt Sells Award winners have prepared with Becker. (b) The largest CPA firms in the world use Becker to prepare their employees for the CPA exam.
- EduPristine was founded in 2008 by four industry professionals from MNCs like Standard Chartered, Goldman Sachs, S & P, and Accenture. In a short span, EduPristine became a premier finance training provider around the world.

Pending acquisition & activist pressure:

In September 2020, the company entered into a definitive agreement to acquire Walden University for \$1.48 billion in cash.

- On Feb. 1, 2021, Engine Capital and Hawk Ridge Capital issued an open letter stating that Walden University's College of Nursing was the likely target of an ongoing US Department of Justice ("DoJ") investigation. Engine and Hawk Ridge also urged the board not to proceed with any potential financing activities in relation to the acquisition of Walden until the DoJ investigation has been completed. [https://www.prnewswire.com/news-releases/engine-capital-and-hawk-ridge-issue-open-letter-](https://www.prnewswire.com/news-releases/engine-capital-and-hawk-ridge-issue-open-letter-to-board-of-adtalem-global-education-301218671.html)

[to-board-of-adtalem-global-education-301218671.html](https://www.prnewswire.com/news-releases/engine-capital-and-hawk-ridge-issue-open-letter-to-board-of-adtalem-global-education-301218671.html)

- On Feb. 25, 2021 - Engine Capital and Hawk Ridge Capital expressed their serious concerns that Adtalem is so focused on closing the Walden acquisition at all costs that it may even push the Higher Learning Commission to approve the acquisition before the Department of Justice ("DoJ") concludes its investigation. <https://www.prnewswire.com/news-releases/engine-capital-and-hawk-ridge-issue-open-letter-to-board-of-adtalem-global-education-301235279.html>

Main presentation -

<https://www.sec.gov/Archives/edgar/data/730464/000115752321000123/a52372554ex991.htm>

EVI Industries, Inc.: Roll-up strategy

Market Cap: \$323 million | EVI Industries is a value-added distributor and a provider of advisory and technical services.

I. Nahmad's roll-up strategy

- In March 2015, Henry Nahmad (through his investment vehicle Symmetric Capital) acquired 40.4% shares of the company and was appointed as CEO of the company.
- Mr. Nahmad implemented the "buy-and-build" growth strategy in 2016. Since its implementation, the company has consummated sixteen commercial laundry business acquisitions.
- In his six-year tenure, the company's market capitalization has increased from \$18 million to \$310 million as of March 2021.

II. Future

- The company intends to continue the execution of its long-term buy-and-build growth strategy.
- Even though revenue grew multi-fold, operating margin continues to decline due to the combination of one-time acquisition cost and increased corporate expense for managing a larger business. This trend is expected to continue.
- Mr. Nahmad currently owns 53.4%, and the value of the stock is worth over \$180 million. He took over the company

at the age of 36. Now, he is roughly 42 years old. Given his age, there is a high probability for him to execute this buy-and-hold strategy. So, the best way to approach the stock is to view how the company would perform after 5 or 8 years.

III. Others

- Related party transaction: Not alarming
 - If you review the DEF14, you will notice plenty of related party transactions, primarily associated with warehouse and office space rent.
 - A couple of points – (a) there is no related party transaction with Mr. Nahmad. (b) The related party transactions are part and parcel of the roll-up strategy. My best guess is that owners of small business own the warehouse and office space. After the acquisition, the company pays the rent to the owner, and it is shown under related party transaction.
- Latest quarter results:
 - Revenues for the three-month period ended December 31, 2020, decreased \$9.5 million, or 14%, compared to the same periods of the prior fiscal year.
 - The decrease in revenue was due to the continuance of local, state, and/or federal orders related to the COVID-19 pandemic.

Northrim BanCorp, Inc. (NRIM): A high quality bank

Market Cap: \$164 million | Northrim BanCorp, Inc. is a publicly traded bank holding company headquartered in Anchorage, Alaska.

On March 22, 2021, AltraVue Capital disclosed a 5.06% passive stake in the company. AltraVue Capital is a value-oriented investment manager focused on investing in high quality businesses that are under-analyzed, under-owned and undervalued by the market.

What we like?

- **Market share:** As of June 2020, there were seven commercial banks operating in Alaska. Northrim Bank had approximately a 12% share of the Alaska bank deposits, 17% in the Anchorage area, 18% in Juneau, 15% in Matanuska-Susitna, 13% in Sitka, 10% in Fairbanks, 6% in Ketchikan, and 1% in the Kenai Peninsula. Northrim Bank enjoys a 7% market share of total financial institution deposits in Alaska.
- **Third largest in Alaska:** The company has grown to be the third-largest commercial bank in Alaska and in Anchorage in terms of deposits, with \$1.8 billion in total deposits and \$2.1 billion in

total assets on December 31, 2020. The company is accessible to approximately 90% of the Alaskan population.

- **Net income growth:** In the last 5 years, the company's annual net income's compounded annual growth rate was 13%.
- **Dividend growth rate:** The Company's dividends per share has grown from \$0.78 per share in 2016 to \$1.38 per share in 2020. Its 5-year compounded growth rate was 13%.
- **Total shareholders' equity increased** from \$7.5 million in 1990 to \$221 million in December 2020, at a CAGR of 11.95%
- **Buyback:** In February 2021, the company authorized to repurchase approximately 5% of the currently issued and outstanding shares.
- **Latest quarter results:** For the fourth quarter of 2020, total revenue increased 41% to \$37.0 million, compared to \$26.1 million in the fourth quarter of 2019, and decreased compared to \$39.9 million in the third quarter of 2020.

Bioventus Inc. (BVS): Strong product portfolio; excellent free cash flow generation; concerns about the CEO

Market Cap: \$841 million | Bioventus is a global medical device company focused on developing and commercializing clinically differentiated, cost efficient and minimally invasive treatments that engage and enhance the body's natural healing process.

On March 08, 2021, Integrated Core Strategies (US) LLC disclosed 5.9% passive stake in the company.

What we like?

I. Viscosupplementation

- What does it mean? During viscosupplementation treatment for arthritis, a healthcare provider injects hyaluronic acid into the patient's joint. This thick fluid may help reduce pain and swelling in the patient's arthritic joint.
- 17% market share: In the HA viscosupplementation market, the company enjoys roughly 17% market share.
- It has a unique positioning as the only company to offer a one-, three-, and five-injection treatment regimen.

II. Exogen

- #1 prescribed device: Exogen system is the number one prescribed device in the long bone stimulation market and has had marketing authorization via a PMA through the FDA for over 25 years.
- The company claims that it is the only company to utilize advanced, pulsed ultrasound technology for bone growth in delayed and nonunion fractures in all fracture locations except spine and fresh fractures of the tibia and radius.

III. Strong financial performance & cash flow generation

- Strong revenue growth: The Company's revenue increased from \$50 million in 2004 to \$340 million in 2019.
- Free cash flow for the FY 2019 and FY 2020 was \$38.4 million and \$68.1 million, respectively.
- Cash and cash equivalents increased from \$42 million in 2018 to \$72 million as of September 2020.
- The company has self-funded all internal research and development and business development efforts in the last four years.

IV. Significant management changes

- April 2020 – CEO
- August 2020 - Chief Compliance Officer
- November 2020 - SVP, Business Development & Strategy
- January 2021 – SVP of Operations

V. Our concerns

Ken Reali was appointed CEO of Bioventus in April 2020.

Even though he led the sale of Clinical Innovations, LLC (June 2015 to Feb 2020) as a CEO, we are concerned about the lawsuit filed against him during his tenure as CEO of Baxo Surgical.

Bankruptcy and lawsuit

Mr. Reali served as CEO of Baxano Surgical (a medical device company) from 2010 till its bankruptcy process in 2015.

Allegations by John Palmer

Long story short: In October 2015, John Palmer, Liquidating trustee of the Baxano Liquidating Trust, filed a complaint alleging Kenneth Reali and the CFO for breaching their fiduciary duties of loyalty and care. In November 2017, the plaintiff filed for a stipulation of dismissal with prejudice, which means a voluntary agreement between plaintiff and defendant with the intervention of the court.

Why is this litigation significant?

- First of all, when the defendant requested the case to be dismissed, the judge did not dismiss the case based on the email communication between the CEO and CFO before the merger.
- Second, the allegations are alarming - as per the court document, the CEO

and CFO presented a series of forecasts with no reasonable basis, shifted the company's HQ closer to their home in North Carolina for no legitimate reasons, and alleged that in 2012 (during this time, Mr. Reali he served as CEO), the company's revenue included a "risky" \$1 million channel-stuffing transaction with a Chinese company that only netted \$500,000 in actual revenue.

- We STRONGLY urge our readers to read the below court document - <https://law.justia.com/cases/federal/district-courts/delaware/dedce/1:2015cv00994/58137/15/>

Computer Task Group, Incorporated (CTG): Renewed focus in high-margin solutions segment after the appointment of new CEO

Market Cap: \$147 million | The company provides IT and other staffing services and provides business process transformation solutions.

Why are we flagging now?

I. Cash flow machine

- The company generated roughly \$28 million in free cash flow and is currently trading at an enterprise value (EV) of \$131 million.
- FCF/EV: 21.4%

II. Crux of the thesis

a) Basics

The company generates revenue from two sources-

- IT and other staffing: Under the staffing services, personnel are provided to clients, who then, in turn, take their direction from the clients' managers.
- IT solutions: With solution services, the Company generally takes responsibility for the deliverables and some level of project and staff management, and services may include high-end advisory or business-related consulting.

b) Erosion of IT solutions segment

- The solutions segment is a high-margin business. Moreover, this segment enjoys deeper client engagement and client loyalty.

- Revenue from the solutions segment declined from \$165 million in FY 2013 to \$90 million in FY 2017. This, in turn, eroded the profitability over the period of time.

c) Renewed focus in solutions segment after the appointment of new CEO

- The company decided to disengage from several small engagements and a large staffing engagement late in 2019.
- While these decisions negatively affected revenue during 2020, the company believes the reallocation of resources away from these engagements to other higher-margin IT solutions services will positively impact the company's operations in the long term and aid in executing the strategy to become a digital transformation solution provider.
- As you can observe from the below table, the company's revenue from the solutions segment improved in 2019 and 2020 compared to the 2017 and 2018 levels. Notably, even though 2020 revenue from IT solutions declined due to COVID-19, it still is significantly higher than the 2017 and 2018 levels. Moreover, the company's profit margin improved due to the same.

(\$, mm)	2017	2018	2019	2020
IT solutions	30%	31%	36%	38%
IT and other staffing	70%	69%	64%	62%
Total revenue	301.2	358.8	394.2	366.1
IT solutions	90	111	142	139
IT and other staffing	211	248	252	227
Gross profit	56.4	68.5	75	77
Gross margin	18.7%	19.1%	19.0%	21.0%

Winmark Corporation (WINA): Niche & high margin franchise company for used clothing; cash cow

Market Cap: \$692 million | Winmark Corporation is a franchisor of five value-oriented retail concepts that buy, sell and trade gently used merchandise.

At December 26, 2020, there were 1,264 franchises in operation under the brands Plato's Closet®, Once Upon A Child®, Play It Again Sports®, Style Encore® and Music Go Round®. An additional 30 retail franchises have been awarded but are not open

What we like?

I. Franchise business

a) Unique business: used clothes

Plato's Closet franchisees buy and sell gently used clothing and accessories geared toward the teenage and young adult market.

Five retail store concepts

- Once Upon a Child franchisees buy and sell gently used and, to a lesser extent, new children's clothing, toys, furniture, equipment and accessories.
- Play It Again Sports franchisees buy, sell, trade and consign gently used and new sporting goods
- Style Encore franchisees buy and sell gently used women's apparel, shoes and accessories.
- Music Go Round franchisees buy, sell, trade and consign gently used and, to a lesser extent, new musical instruments, speakers, amplifiers, music-related electronics and related accessories

b) 100% franchised system: royalty revenue

- The company generated roughly 78% of total revenue from franchising.
- At December 26, 2020, there were 1,264 franchises in operation under the brands Plato's Closet®, Once Upon A Child®, Play It Again Sports®, Style Encore® and Music Go Round®.
- Under current franchise agreements, franchisees of the respective brands are required to pay the company weekly continuing fees (royalties) equal to the percentage of gross sales outlined in their Franchise Agreements, generally ranging from 4% to 5% for all of the company's brands.

c) High renewal rates

The company has been partnering with its franchisees for over 30 years.

- During the past three years, the company renewed 99% of franchise agreements up for renewal.
- Over the last ten years, 95% - 100% of franchisees have renewed their agreements.

d) Competitive edge

- The company's unit-level economics are often 50% higher than competitors in the same space and, unit for unit, the company frequently outpace the competition three-to-one.
- The company claims that it is the recognized leader in the resale industry.

Store Count – Plato's Closet vs. Competitors

Company	2013	2014	2015	2016	2019
Plato's Closet	391	426	456	468	483
Uptown Cheapskate®	34	42	45	59	73
Hut no. 8®	28	24	13	6	N/A
NTY Clothing Exchange®	0	1	2	4	N/A

II. Equipment leasing

- In FY 2020, the company generated roughly 22% of total revenue from equipment leasing.
- During the past three years, the leasing operations have experienced a decrease in purchases of equipment for lease customers and a corresponding decrease in the size of the leasing portfolio.

III. High margins

The company's net income margin is 45%.

(\$, mm)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Total revenue	66.52	69.76	72.51	73.30	66.06
Income from operations	38.21	38.81	41.76	43.13	40.21
Net income	22.15	24.58	30.13	32.15	29.82
<i>EBIT Margin</i>	57%	56%	58%	59%	61%
<i>Net income margin</i>	33%	35%	42%	44%	45%

13D

Enzo Biochem, Inc.: Potential sale? CEO change and strategic alternative

Market Cap: \$172 million | The company manufactures, and markets diagnostic and research products based on biotechnology, genetic engineering, and molecular biology.

Why are we flagging this?

I. CEO change + strategic alternatives + hiring strategic consultant

- After pressure from three activist investors, Harbert Discovery, Roumell Asset Management, and Evermore Global Advisors,
 - The company's CEO, Mr. Rabbani, agreed to resign as CEO
 - The company also retained Cain Brothers to help identify, evaluate, and execute strategic initiatives.
 - The company hired Gary Huff, the former CEO of LabCorp Diagnostics, to serve as a strategic consultant to the board.
- Comments by Kenan Lucas of Harbert Discovery Fund
Immediately after the above announcement, Kenan Lucas filed 13D and expressed his below thoughts-

We know there are currently interested acquirers. We believe these interested acquirers and others would be willing to pay a significant premium to the current share price. Cain appears to be an acceptable choice, since they recently advised Mercy on the sale of its outreach lab services business to Quest Diagnostics. That coupled with the engagement of former LabCorp Diagnostics CEO Gary Huff, provides Enzo with ties to the most

logical strategic acquirers. An outright sale may provide the highest risk-adjusted return for shareholders. Cain should be given the authority to run a full auction process without any limitations on the type of transaction to be considered. Given the presently interested parties, Cain should begin this process immediately. The competitive dynamics that might emerge in a comprehensive sale process could unlock tremendous value for shareholders. The market for corporate assets is extremely robust. The recent performance, which is largely driven by COVID-19 also aligns extremely well with a sales process.

- Interestingly, Mr. Rabbani agreed to resign as CEO and take up a scientific role. Very weird. It is strange for a CEO who served in that position for 45 years to step back and report to a new CEO. It could hurt the ego. So, he may push hard to sell the company. Moreover, compared to his CEO job title, a scientific job title increases the odds of continuing the job after an acquisition.

II. Strong conviction:

Significant percentage of the portfolio of three funds that are pushing for changes.

- Harbert Discovery Fund - 11% of ownership (11% of the portfolio -3rd rank): In February 2020, Harbert Discovery Fund secured two board seats after winning a proxy campaign. In September 2020, the fund called for the immediate resignation of the CEO after two of Harbert's nominees resigned abruptly.

- Roumell Asset Management - 5.8% of ownership (11% of the portfolio - 5th rank): In November 27, 2020, in a surprising move, Roumell Asset Management nominated two director candidates for election to the board at the 2021 AGM. The company rejected the nomination letter.
- Evermore Global Advisors, LLC - 6.2% of ownership (7% of the portfolio - 9th rank): Roumell Asset Management in its letter to the shareholders notified that Evermore Global supported Roumell's effort during the proxy campaign.

III. Strong recent quarterly performance

In the recent Q4 FY21 results:

- Revenue grew by ~62% year-over-year to \$31.5M from \$19.4M in the prior-year quarter.
- The gross margin increased to ~50.3% compared to ~30.0% in the previous year.
- Registered a net income of ~\$2.3M compared to a loss of ~\$7.7M in the previous year.

Tile Shop Holdings' board decided to uplist the stock in Nasdaq

Market Cap: \$322 million | Tile Shop Holdings, Inc. operates as a specialty retailer of natural stone and man-made tiles, setting and maintenance materials, and related accessories in the United States.

Last month, we alerted that the company's board has formed a committee to decide about relisting the shares on Nasdaq.

So, why are we flagging now?

In March 2021, the company's board finally decided to relist the stock.

Short background

- Activist summary:

(a) In January 2021, B. Riley Financial and 272 Capital (together 8.5%) urged the board to up-list to a major stock exchange and disclosed their in-

attention to run a proxy contest to replace directors on the Board if the company does not up-list.

(b) In February 2021, Cannell Capital (6.09%) expressed its support for B. Riley Financial and 272 Capital.

- Significant board changes: Out of six directors, three directors were appointed in July 2020. Another director is the new CEO, who has served on the board since January 2019.
- For detailed notes, please refer to our February 2021 report.

Houghton Mifflin Harcourt Company: Repayment of debt

Market Cap: \$927 million | The company is a learning technology company committed to delivering connected solutions that engage learners, empower educators and improve student outcomes.

I. Divestment of HMH (\$349 million) & repayment of debt

- On March 29, 2021, the company entered into an agreement to divest its HMH Books & Media for \$349 million.
- The company expects to use the net cash proceeds of approximately \$337 million to pay down debt.
- The transaction is expected to close in the second quarter of 2021.

II. Migration to pure-play K-12 learning business

After the completion of the sale, which is expected in the 2nd quarter of 2021, the company will be a pure-play K-12 learning technology company.

III. Top 3 player in K-12 education Education segment

This segment is divided into two categories: core solutions and extensions.

Core solutions

- This segment accounted for 50% of FY 2020 revenue.
- Core solutions products address the core curriculum market with grade-level, educational standards-aligned materials.
- Top three-player - market share:
 - As per Fitch Ratings, the company, together with Pearson Education and McGraw-Hill, holds more than approximately 80% of the K-12 education market.
 - The company enjoys a 56% market share for the adoption of a new ELA program in Texas and is the market leader in year one of California's three-year adoptions for a new science program.

Extensions

- This accounted for 50% and 46% of education segment billings for the FY 2020 and FY 2019, respectively.
- Extensions products address the markets for supplemental programs, intervention programs, and professional learning.

GP Strategies: Repayment of debt by 85%

Market Cap: \$302 million | GP Strategies Corporation provides performance improvement and learning solutions worldwide. The company operates two segments, Workforce Excellence and Business Transformation Services.

In November 2019, Cove Street Capital urged the company's board to explore strategic alternatives.

Significant changes in the last year:

- New CEO: In June 2020, the company appointed Adam H. Stedham as its new CEO.

- **Divestment:** In October 2020, the company sold its IC Axon Division to CM Canada Acquisitions for \$28 million.
- **85% reduction in debt:** The Company reduced its long term-debt balance by \$70.2 million to \$12.7 million as of December 31, 2020, compared to \$82.9 million as of December 31, 2019.
- Moreover, the company's cash balance increased to \$23.1 million on December 31, 2020, compared to \$8.2 million on December 31, 2019. The company repaid its debt and increased the cash balance by improving its working capital and from the proceeds from the divestment.

The activist group has the upper hand; another shareholder, Madison Avenue, expressed its intention to vote against the Leaf Group's board

Market Cap: \$232 million | Leaf Group Ltd., together with its subsidiaries, operates as a diversified consumer internet company worldwide.

Last month, we alerted that the company's three shareholders, VIEX Capital Advisors, Osmium Partners, and Oak Investment Partners, have nominated three candidates for election to the board at the 2021 AGM.

So, why are we flagging this now?

I. Another shareholder to vote against the incumbent directors

- In March 2020, another shareholder, Madison Avenue Partners, who owns 6.4%, stated its plans to vote against the company's slate of nominees for the 2021 AGM. Moreover, the fund urged the board to "immediately cease all current capital markets and strategic review activities" until after the 2021 annual meeting.
- Overall, four shareholders, who together hold 31.4% of o/s shares, are ag-

itating for changes. On top of this, Roumell (3.38%) and Voss Capital (1.26%) may support the shareholder's group.

- Given the meager 6% insider ownership, the activist group has a clear upper hand.

II. Others

The company accounts for 8.76% of VIEX Capital's portfolio - Rank #3, 14.36% of Osmium Partners' portfolio - Rank #3 and 4.84% of Madison Avenue Partners' portfolio - Rank #7

Overall,

The below thesis that we outlined in the last month still holds good-

- the shareholder group owns a significant stake to influence the outcome of a proxy fight, and
- the shareholder group has substantial capital invested in the company – so they would work aggressively to maximize the shareholder value.

To read more, please read our February 2021 report.

Kanen Wealth Management/ Philotimo Fund argues that ODP Corp. could trade more than 8X its current trading price

Market Cap: \$2.2 billion | The ODP Corporation provides business services and supplies, products, and technology solutions for small, medium, and enterprise businesses.

On March 25, 2021, Kanen Wealth Management/ Philotimo Fund (1.15%) sent a [letter](#) to the board expressing its disappointment with the low valuation and urged the board to buy back shares.

Kanen Wealth argues that the company is trading at a "criminally low valuation" and argues that the company has a potential upside of 8X

Valuation Insight

The Company generated \$417M in FCF in 2020 (a pandemic stricken year). This means ODP *should* have generated \$23.55/share in Free Cash Flow in 2020. With its net cash balance sheet; strong FCF generation; quality BSD distribution business (normalized); large oppor-

tunity for digital procurement marketplace platform; potential to capture a highly synergistic merger or outright sale of retail segment; and a Company that cares about creating value for shareholders...ODP *should* be trading for at least 12x FCF.

12 x \$23.55/share = **\$282.60 per share**, or more than 8x ODP's current trading price (\$40).

ODP has consistently traded at a criminally low valuation. The market is saying ODP is a loser and will continue to destroy value; the market also does not understand and gives little to no credit to (i) the strength of ODP's B2B distribution business, (ii) the new digital procurement platform/marketplace opportunity, (iii) the opportunity that ODP could harvest \$700M-\$1B+ for its retail/consumer business and become a pure play distributor/platformco, and (iv) The significant overcapitalization/strength of ODP's balance sheet.

ODP Corp	2017	2018	2019	2020	Today	YE 2021
Adjusted EBITDA	687	604	567	491	540	540
Stock Based Comp	28	27	33	41	35	35
Share count	53.5	56.4	55.3	53.8	53.8	
Dividends paid	(53)	(55)	(55)	(13)	0	
Net cash (YE)	(410)	(127)	15	351	330	660
CompuCom sale pull fwd				275	275	275
Sale of HQ						150

Market Cap	1,407	1,403	1,466	1,544	1,870	1,870
Enterprise Value	1,817	1,530	1,451	918	1,265	785
EV/Adj EBITDA	2.64	2.53	2.56	1.87	2.34	1.45

Other activist investor

On a different note, in January 2021, the company entered into a cooperation agreement with HG Vora Capital Management (9.5%) and added a HG Vora's designee to the board.

Railroad Ranch Capital Management argues that Green Plains Partners could unlock a 40% upside from its current trading price

Market Cap: \$257 million | Green Plains Partners LP provides fuel storage and transportation services in the United States.

- On March 5, 2021, Railroad Ranch Capital Management (6.1%) stated that it intends to advocate for a company's strategic review, potential divestitures,

and outright sale of the company. Based on publicly traded and transaction comparables, Railroad Ranch Capital believes that the common units' fair value is between \$16.00 and \$21.00, substantially higher than the current trading price.

- Based on its valuation, the stock has a potential upside of more than 40%.

Legion Partners nominates four candidates for election to the OneSpan board; Suggests the board monetizes the hardware segment and transforms the company into a pure-play software company

Market Cap: \$1 billion | OneSpan Inc., together with its subsidiaries, designs, develops, and markets digital solutions for identity, security, and business productivity worldwide.

Background:

- Legion Partners Asset Management has been an active shareholder of OneSpan since 2018. On August 18, 2020, Legion

Partners issued a press release that included a public letter to the board highlighting the need for change to the company's strategy.

- On February 25, 2021, Legion Partners Holdings (6.83%) delivered a letter to the company nominating a slate of four candidates for election to the Board at the 2021 AGM.

- On March 22, 2021, Legion Partners Asset Management filed proxy materials seeking support for its nominees.

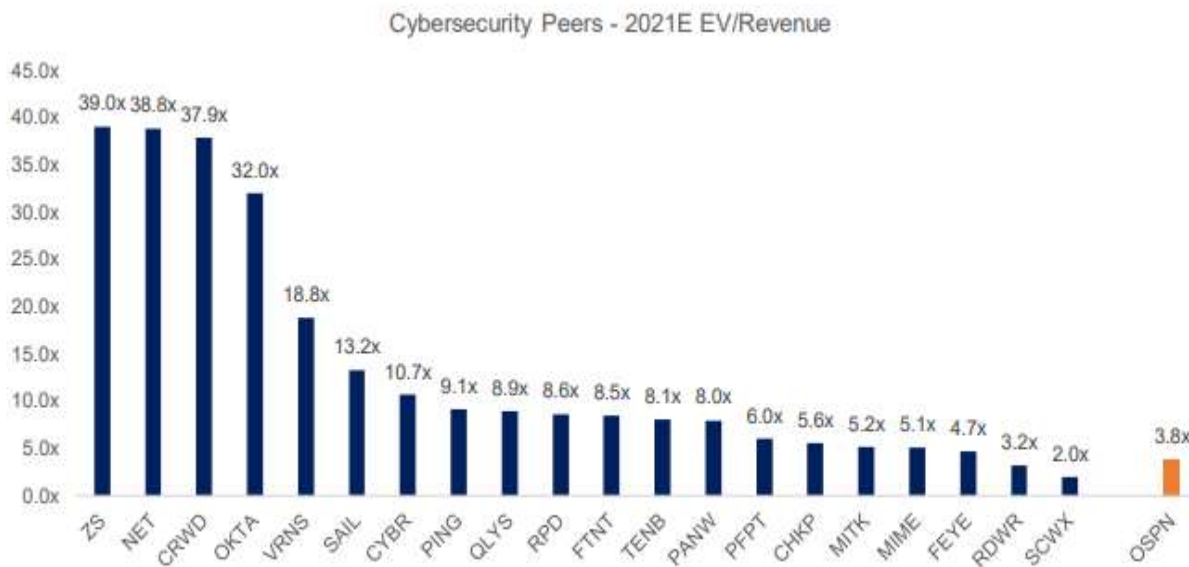
Suggestions & insights

#1 Divest Legacy hardware business

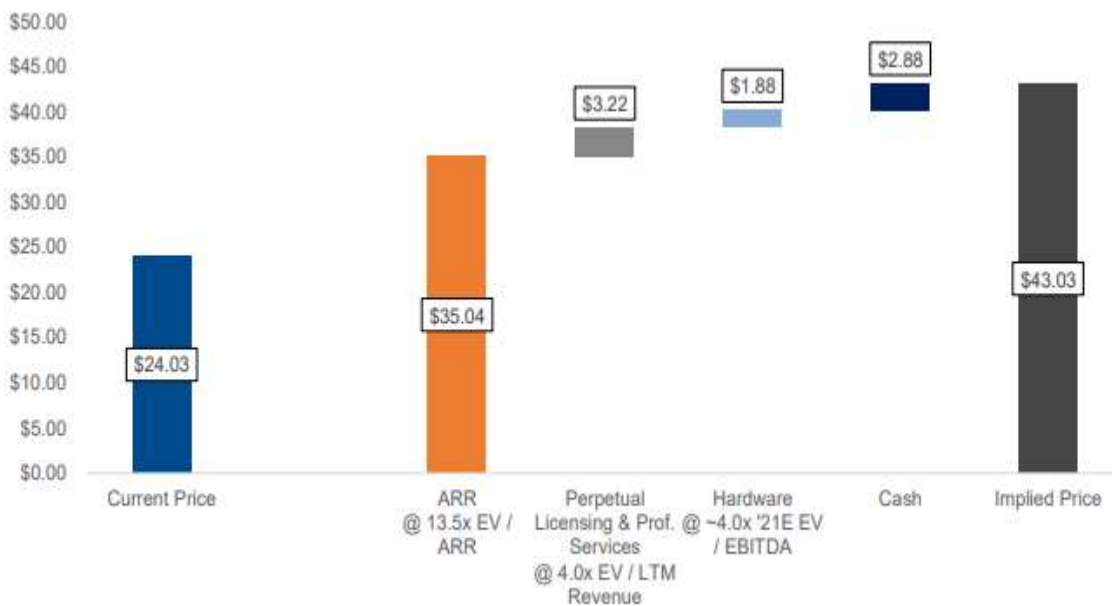
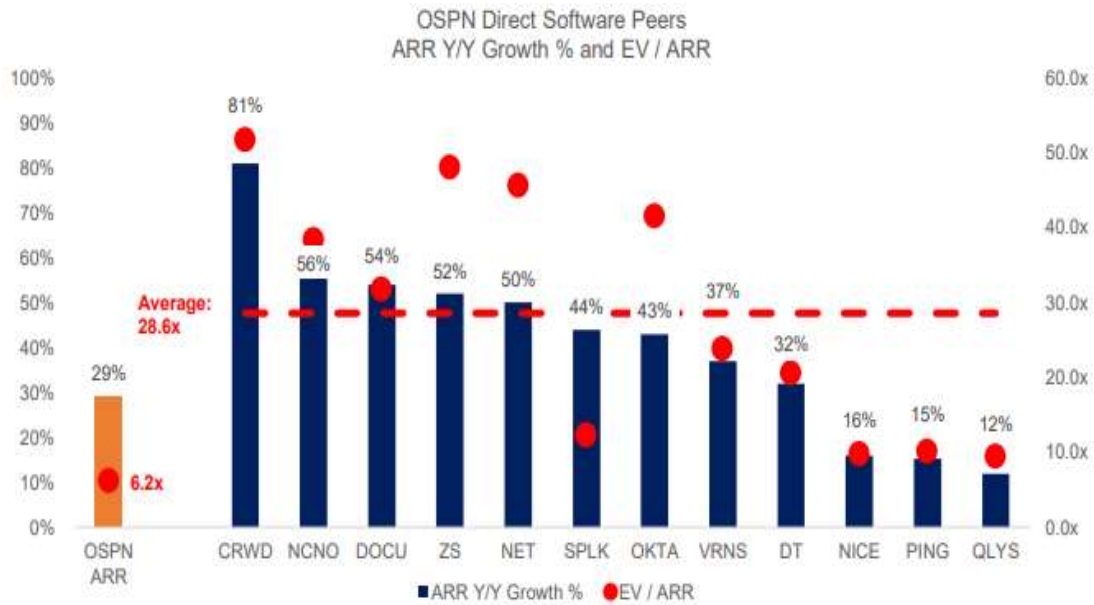
- The legacy Hardware authenticator token business is in secular decline and the revenue base is shifting towards software-based mobile and identity cybersecurity solutions.
- The Hardware segment has become difficult for management to predict, contributing to multiple debacles on earnings calls.
- The Hardware segment carries inferior gross margins, produces volatile quarterly results, and is perceived to have high customer concentration.

#2 Transform OneSpan into a pure play software company

- **Sale of Hardware** would immediately transform OneSpan into a pure play software company and likely rerate its shares closer to peer levels.
- **The implied valuation** of OneSpan's recurring revenue (SaaS, term licenses and maintenance) trades at ~80% discount to direct peers.
- Average ARR growth for OSPN's direct software peers is 41%, resulting in an average EV / ARR of 28.6x. Given OneSpan's overall ARR is growing roughly 30% per annum, with its term license and SaaS ARR growing north of 50% per annum, we conservatively utilized a discounted 13.5x EV / ARR in our valuation analysis below to imply a fair value of OneSpan shares at roughly \$43 per share, or nearly 80% higher than current levels.



Source: Capital IQ (as of 2/24/21)



Source: Capital IQ (as of 2/24/21), Company Filings, Legion Partners' Estimates

KORR Acquisitions Group argues that Medallion Financial has over 150% potential upside; Suggests the board divests non-core assets and sells Medallion assets

Market Cap: \$180 million | Medallion Financial Corp., together with its subsidiaries, operates as a finance company in the United States.

Basics

Three segments

- **Medallion Bank:** is an FDIC-insured Industrial Bank that specializes in originating consumer recreational and home improvement loans across the U.S.
- **Medallion Lending & Servicing:** originated and services taxi medallion loans and provides loan services to the Bank's medallion loan portfolio.
- **Medallion Capital, Inc.:** a small business investment company which conducts a mezzanine financing business.

KORR Acquisition Group's suggestions

On March 31, 2021, KORR Acquisitions Group (4.4%) stated that it had released a [presentation](#) regarding its proposals to remedy the company's underperformance and to maximize value for all shareholders.

Suggestions & insights

- Divest non-core assets: The Company owns/owned a Fine Art, NASCAR Racing team, and a lacrosse initiative. None of these are related to the core asset of financial services.
- Divest Medallion Capital: Medallion Capital has continually underperformed. The Company should divest

this operation and focus on the Medallion Bank.

- Sale or spin-off of Medallion assets: The Company trades as though its assets are entirely related to its former primary business of medallion lending. The board should explore strategic alternatives for the medallion assets, spinning-out or selling these assets would remove the overhang on the spot.
- Focus on Medallion Bank
 - The Company has been able to consistently grow its consumer loan portfolio at a CAGR of 26% since 2011.
 - Medallion Bank is the primary business and represents 91% of MFIN's total net loans as of September 30, 2020.
 - Despite the Bank's rapid growth, the delinquency rates have stayed low and are encouraging as the Company faces the COVID-19 pandemic. Even during the height of the Great Recession, the Bank was profitable and only saw charge-offs increase to approximately 6%.
 - The Company's boasts loan economics with 54% ROE, the below shows the implied pre-tax profit of a new hypothetical recreational vehicle \$10,000 loan.
 - KORR Acquisition estimates the value of Medallion Bank at approximately \$500 million or \$20 per share.
 - A key question asked by KORR Acquisition: The medallion business isn't even originating new loans. It is supposed to be in a wind-down stage, so why is the operating expense %

nearly 10 times greater than the consumer business which is growing rapidly? If the Company could bring down these expenses to 5% of the net loans,

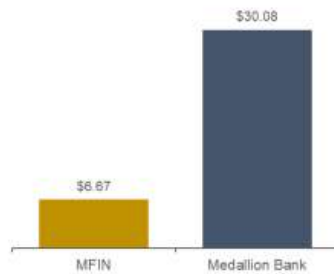
or 0.6% of the gross medallion loans, that would result in \$5.3mm in incremental earnings pre-tax earnings.

Medallion Bank: Standalone Valuation

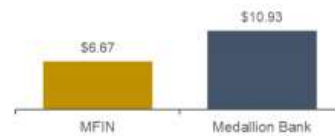
We conservatively estimate the value of Medallion Bank at approximately \$500 million or \$20 per share

- Medallion Bank recorded quarterly net income of \$14.3 million for 4Q2020 (implying a run-rate of approximately \$56 million in net income)
- Given the current share price of \$6.67, there is a significant discount to value, which is either a lack of faith in management to preserve value and continue performance, or management's failure to communicate the Company's value, or both.
- It is the duty of the executives, who are entrusted by shareholders, to close the gap between intrinsic value and market value

Standalone Valuation Based on P/E Multiple⁽¹⁾



Standalone Valuation Based on Book Value⁽²⁾



		P/E Multiple					Book Value Multiple				
		8x	9x	10x	11x	12x	1.00x	1.25x	1.50x	1.75x	2.00x
Earnings Discount	10%	\$26.31	\$29.77	\$33.22	\$36.68	\$40.14	\$7.47	\$9.34	\$11.20	\$13.07	\$14.94
	5%	\$25.06	\$28.36	\$31.65	\$34.95	\$38.25	\$7.38	\$9.22	\$11.07	\$12.91	\$14.76
	0%	\$23.80	\$26.94	\$30.08	\$33.22	\$36.37	\$7.29	\$9.11	\$10.93	\$12.75	\$14.58
	(5%)	\$22.54	\$25.53	\$28.51	\$31.50	\$34.48	\$7.20	\$9.00	\$10.80	\$12.60	\$14.40
	(10%)	\$21.29	\$24.12	\$26.94	\$29.77	\$32.60	\$7.11	\$8.88	\$10.66	\$12.44	\$14.21
Medallion Write-Offs	0%						\$7.47	\$9.34	\$11.20	\$13.07	\$14.94
	(5%)						\$7.38	\$9.22	\$11.07	\$12.91	\$14.76
	(10%)						\$7.29	\$9.11	\$10.93	\$12.75	\$14.58
	(15%)						\$7.20	\$9.00	\$10.80	\$12.60	\$14.40
	(20%)						\$7.11	\$8.88	\$10.66	\$12.44	\$14.21

Source: Company financials as of December 31, 2020 and KORN estimates; Capital IQ market data as of February 7, 2021

1/4

Suggested further reading

Presentation, KORR's Perspectives on Medallion, February 2021

<https://www.sec.gov/Archives/edgar/data/1000209/000101143821000137/exhibit-99-2.pdf>

Two high-profile activist investors (Starboard & Hudson Executive) have their eyes set on eHealth

Market Cap: \$1.8 billion | eHealth, Inc. provides a private online source of health insurance for individuals, families and small businesses.

- On February 19, 2021, Hudson Executive Capital disclosed a 5.8% active stake and stated that it had and may continue to have discussions with the company's management and board to

[Hudson Executive secures a board seat](#)

discuss the company's business, strategies and corporate governance.

- On March 11, 2021, the company announced that it had reached an agreement with Hudson Executive Capital to immediately appoint one new director and to engage in a process to mutually agree upon a second director in the next 45 days. Hudson Executive Capital holds 5.87% of eHealth, which is the 5th position in its portfolio. The average purchase cost is \$63 per share.

Starboard nominates a slate of four directors

- On March 11, 2021, Starboard (6.9%) delivered a letter to the company nominating a slate of four director candidates for election to the board at the 2021 AGM. Source
- Starboard holds 2.43% of eHealth - 15th position in its portfolio.

Comment

- The presence of two high-profile activist investors is a big positive.
- Low insider ownership is a plus for activist investors. Insider owns 4.1% (excluding options).

Ancora urges Blucora's board to divest TaxAct business

Market Cap: \$788 million | Blucora, Inc. provides technology-enabled financial solutions to consumers, small business owners, tax professionals, financial advisors, and certified public accounting firms in the United States.

Background:

On February 25, 2021, Ancora Advisors (3.4%) issued an open letter to stockholders and announced that it has nominated four candidates for election to the Board at the 2021 annual meeting of stockholders. Ancora's letter outlines how it believes that a reconstituted Board can help address Blucora's challenges and ultimately unlock substantial value, including by:

- Refocusing the Company's attention and resources on operating, improving and growing the Avantax business.
- Creating a special committee of independent directors to assess operational

improvements and explore strategic alternatives for the TaxAct business.

- Establishing a disciplined capital allocation framework that emphasizes paying off current debt and eventually implementing a stock-repurchase program

Update:

- On March 2, 2021, Ancora launched a website (www.ABetterBlucora.com) to communicate with the company's stockholders.
- On March 29, 2021, Ancora issued an Investor Presentation titled, "The need for stockholder-driven change in Blucora's Boardroom." The presentation details the case for urgent change in Blucora's boardroom and summarizes its director candidates' value-enhancing vision.

Valuation & insights

- Blucora is currently trading at a depressed valuation multiple relative to the multiples that Ancora believes could be garnered by the Avantax and TaxAct businesses on a standalone basis.
 - TaxAct participates in a true oligopoly (TurboTax/H&R Block) as the #3 player with ~7-8% market share.
 - Ancora estimates that closing the SOTP discount could unlock a 40-75% upside from Blucora's current trading

levels based on the Company's projected FY2021 EBITDA and assuming that any gain on the sale of the TaxAct business would be offset by the Company's substantial net operating losses.

- Ancora's analysis finds that private market transaction multiples for both tax-related and RIA assets are materially higher than Blucora's current valuation multiple.

Sum-of-the-Parts Analysis				
<i>(\$ in mm, except per share)</i>				
	EBITDA 2021	Multiple		
TaxAct	\$75.0	12.0x	13.0x	14.0x
Wealth Management	\$80.0	10.0x	11.0x	12.0x
Corporate	(\$21.5)	11.0x	12.0x	13.0x
Total	\$135.0	11.0x	12.0x	13.0x
EV		\$1,480.0	\$1,615.0	\$1,750.0
Gain on sale impact		153.1	171.9	195.6
Net debt (cash)		404.2	404.2	404.2
NOL		(153.1)	(171.9)	(195.6)
Equity value		\$1,075.8	\$1,210.8	\$1,345.8
Diluted shares		48.1	48.1	48.1
Pre corporate overhead SOTP value per share		\$26.94	\$30.16	\$33.38
<i>% to current</i>		59.5%	78.6%	97.6%
<i>Less: corporate overhead per share</i>		(\$4.57)	(\$4.99)	(\$5.40)
Post corporate overhead SOTP value per share		\$22.36	\$25.17	\$27.98
<i>% to current</i>		32.4%	49.0%	65.6%

KVH Industries, Inc.: A notable proxy campaign

Market Cap: \$249 million | KVH Industries, Inc. designs, develops, manufactures, and markets mobile connectivity products and services for the marine and land mobile markets in the United States and internationally.

Background: In February 2020, Vintage Capital (9.4%) nominated two Board candidates, and Vintage Capital Management secured a Board seat within two months.

VIEX Capital

On March 4, 2021, VIEX Capital (3.4%) nominated two candidates for election as

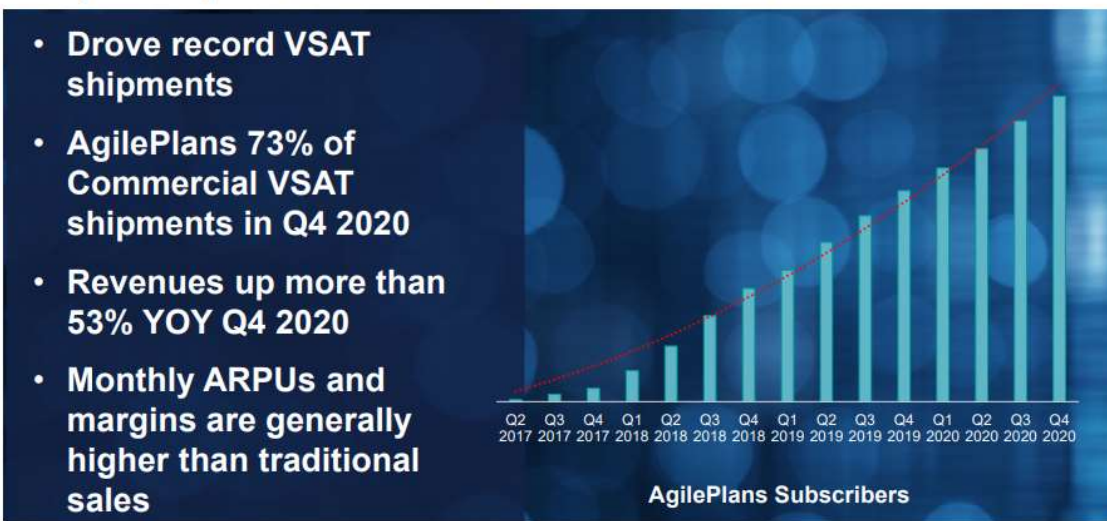
Class I directors to the board at the upcoming 2021 AGM. It stated that it was deeply concerned by the company's inadequate corporate governance, stale incumbent board, and poor stock price performance. [Source](#)

Why is it interesting?

1. KVH Industries is in the fourth largest position of VIEX Capital.
2. Vintage Capital already secured two board seats in early 2020.

Source: Company presentation

Rapid Uptake of New Business Model



Industry-leading VSAT + High-margin Service

Transition to an all-HTS product line

37cm dome
World's smallest VSAT system

60cm dome
3-axis antenna with built-in network management

1.1m dome
Unique C/Ku-band antenna

High-margin value-added services

Initiating 13D

Buxton Helmsley Holdings calls on Mallinckrodt for a meeting

Market Cap: \$28 million | Mallinckrodt plc develops, manufactures, markets, and distributes specialty pharmaceutical products and therapies in the United States, Europe, the Middle East, Africa, and internationally.

On March 10, 2021, Buxton Helmsley Holdings (5.6%) sent a letter to the board expressing its disappointment that the board ignored the company's shareholders and acted in complete disregard of the owners of the company and the duties it owes to them. It demands that the board discuss the proposals set forth by them for righting these wrongs. Also, Buxton Helmsley Holdings threatened that it is prepared to take any legally permissible action to hold this board

Settlement agreement

Ancora Advisors secured two board seats through a cooperation agreement with Forward Air Corp

Market Cap: \$2.5 billion | Forward Air Corporation (FWRD) operates as an asset-light freight and logistics company in the United States and Canada.

Background:

- On December 28, 2020, Ancora Advisors disclosed a 5.3% active stake in the company and stated that it had engaged, and intends to continue to engage, in discussions with the board and management team regarding means to create shareholder value.
- On February 10, 2021, Ancora Advisors (6.3%) issued an open letter to shareholders and announced that it had nominated a slate of four candidates for election to the board at the company 2021 AGM.
 - Ancora Advisors stated that its slate includes Forward Air's founder, Scott M. Niswonger, former CFO, well-respected industry executive Andrew C. Clarke, and shareholder representative James Chadwick of Ancora, and executive leadership specialist Dawn Garibaldi.
 - Ancora believes that the company can execute on what it believes to be a >1,000 bps margin improvement opportunity focused primarily on the core Expedited LTL business, which will be accomplished through a cost rationalization plan and targeted organic growth initiatives.
 - Ancora's plan: (i) strengthen senior management team, (ii) rationalize core Expedited LTL business, (iii) optimize capital allocation strategy, (iv) pursue non-core business divestitures, and (v) elect new representatives and enhance corporate governance.

- On February 16, 2021, Ancora Advisors issued an open letter to shareholders commenting on the company's disappointing fourth-quarter 2020 earnings report and addressing certain misleading statements made by the company in its February 10, 2021 press release.

Update:

On March 15, 2021, Ancora Advisors (6.4%) entered into a cooperation agreement with the company, and pursuant to it, the company agreed to increase the size of the board by five (5) directors and appoint Richard H. Roberts, Scott M. Niswonger (the "Ancora Appointees"), Chitra Nayak, Javier Polit, and George S. Mayes as directors with terms expiring at the 2021 AGM.

Elwood G. Norris reached an agreement with Wrap Technologies

Market Cap: \$211 million | Wrap Technologies, Inc., a security technology company, develops security products for law enforcement and security personnel.

Background:

On February 18, 2021, Elwood G. Norris, Co-founder, Chief Technology Officer and a former director of the company, holding 14.7% proposed a slate of nominees for director election and a potential amendment to Article III, Section 2 of the Company's bylaws to establish a higher minimum number of directors. He stated that he intends to solicit proxies from the holders of at least the minimum number of shares of stock that he believes are necessary to elect his nominees and adopt his other proposals. Source

Update:

On March 4, 2021, the company entered into a cooperation agreement with Elwood G. Norris (17.1%). Pursuant to the agreement, the company agreed to appoint Thomas P. Smith as the CEO, add two new director candidates out of which one will be the representative of Norris, to elect an independent chairman of the board and Government Affairs officer will directly report to the CEO.

Ancora Advisors secured two board seats through a cooperation agreement with Forward Air Corp

Market Cap: \$2.5 billion | Forward Air Corporation (FWRD) operates as an asset-light freight and logistics company in the United States and Canada.

Background:

- On December 28, 2020, Ancora Advisors disclosed a 5.3% active stake in the company and stated that it had engaged, and intends to continue to engage, in discussions with the board and management team regarding means to create shareholder value.

- On February 10, 2021, Ancora Advisors (6.3%) issued an open letter to shareholders and announced that it had nominated a slate of four candidates for election to the board at the company 2021 AGM.
 - Ancora believes that the company can execute on what it believes to be a >1,000 bps margin improvement opportunity focused primarily on the core Expedited LTL business, which will be accomplished through a cost rationalization plan and targeted organic growth initiatives.
 - Ancora's plan: (i) strengthen senior management team, (ii) rationalize core Expedited LTL business, (iii) optimize capital allocation strategy, (iv) pursue non-core business divestitures, and (v) elect new representatives and enhance corporate governance.

Update:

On March 15, 2021, Ancora Advisors (6.4%) entered into a [cooperation agreement](#) with the company, and pursuant to it, the company agreed to increase the size of the board by five (5) directors and to appoint Richard H. Roberts, Scott M. Niswonger (the "Ancora Appointees"), Chitra Nayak, Javier Polit, and George S. Mayes as directors with terms expiring at the 2021 AGM.

TreeHouse Foods announces agreement with JANA Partners

Market Cap: \$2.8 billion | TreeHouse Foods, Inc. operates as a consumer packaged food and beverage manufacturer in the United States and internationally.

Background:

On January 29, 2021, JANA Partners (7.5%) delivered a notice to the company of their intent to propose three nominees for election at the 2021AGM. [Source](#)

Update:

On March 2, 2021, JANA Partners (7.4%) entered into a cooperation [agreement](#) with the company, and pursuant to it, TreeHouse will appoint to its board two new independent directors: John P. Gainor Jr. (one of the nominees of JANA Partners) and Kenneth I. Tuchman.

Baker Bros. Advisors secured a Board seat in Aeglea BioTherapeutics

Market Cap: \$347 million | Aeglea BioTherapeutics, Inc., a clinical-stage biotechnology company, designs and develops human enzyme therapeutics for the treatment of patients with rare genetic and cancer diseases.

On February 23, 2021, Sara Brownstein, a full-time employee of Baker Bros. Advisors (9.9%), joined the board of directors of the company. [Source](#)

Abingworth secured a board seat in Adicet Bio

Market Cap: \$424 million | Adicet Bio, Inc., a biotechnology company, discovers and develops allogeneic gamma delta T cell therapies for cancer and other diseases.

On March 2, 2021, Dr. Andrew Sinclair, partner and portfolio manager of Abingworth (5.2%), was appointed to the board. [Source](#)

Jeffrey Ubben of Inclusive Capital Partners secured a board seat in Strategic Education

Market Cap: \$2.1 billion | Strategic Education, Inc., through its subsidiaries, provides a range of post-secondary education and non-degree programs in the United States.

On March 1, 2021, Inclusive Capital Partners disclosed a 6.1% active stake and stated that William Slocum, a partner at Inclusive Capital Partners, has been invited by the company, and has agreed, to serve as a nominee for election to the board at the 2021 AGM. Inclusive Capital Partners was launched in June 2020 by Jeffrey Ubben after stepping away from ValueAct. [Source](#)

Proxy campaign – intention, initiation, ongoing and outcome

Discover Growth Fund solicited written consent to remove and replace OWC Pharmaceutical Research Corp's board member with its representative

Market Cap: \$5.7 million | OWC Pharmaceutical Research Corp., through its subsidiary, One World Cannabis Ltd., engages in the research and development of cannabis-based medical products.

On February 26, 2021, Discover Growth Fund executed a majority written consent of stockholder to remove Ziv Turner as the sole director and appoint David Kugelman as the company's sole director. [Source](#)

Ravenswood Investment Company/ Robotti Robert nominates three candidates to the board of Tidewater

Market Cap: \$589 million | Tidewater Inc. provides offshore marine support and transportation services to the offshore energy industry through the operation of a fleet of marine service vessels worldwide.

Background:

- In October 2019, Robotti Robert (6.1%) sent a letter to the Board urging them to find a strategic partner for the company with which to consolidate.
- In February 2020, Robotti Robert commend the Board for its dramatic actions in the second half of 2019, including, hiring a new CEO, plan to repurchase \$125 million of its debt and various other improvements to corporate governance. Subsequently, in June

2020, he sent another letter where he advocated a prompt merger and advised the company to weigh the current benefits of an immediate merger with the potential future benefits of preserving the tax benefits.

Update:

On March 9, 2021, Ravenswood Investment Company/ Robotti Robert sent a [letter](#) to the board nominating three candidates for election to the board at the upcoming 2021 AGM.

Group of real estate investors submits a proposal to acquire Columbia Property Trust & also nominated a slate of six candidates for election to the board.

Market Cap: \$1.9 billion | Columbia Property Trust (NYSE: CXP) creates value through owning, operating, and developing Class-A office buildings in New York, San Francisco, Washington D.C., and Boston.

- On March 19, 2021, the investor group comprising of Arkhouse Equities LLC, 8F Investment Partners Pte. Ltd, and Sapir Organization (together 3.3%) submitted a proposal to acquire the company for \$19.50 per share. Also, they have nominated a slate of six director candidates for election to the board at the upcoming AGM. [Source](#)
- On March 22, 2021, the investor group filed proxy materials seeking support for its nominees.

Mina Mar Corp/ EnvyZen nominates Board candidates to Venture Vanadium

Market Cap: \$56 million | Venture Vanadium Inc. focuses on the evaluation and development of vanadium and rare earth metal exploration properties.

On March 16, 2021, Mina Mar Corp/ EnvyZen filed proxy materials nominating board candidates. It expressed its concerns with the company's strategic missteps and significant value destruction under the current board and CEO Ian Ilsley, who is also the company's longest-serving director. [Source](#)

Multiple activists: Three activists have nominated board candidates to the board of Cedar Realty Trust's 2021 AGM

Market Cap: \$212 million | Cedar Realty Trust, Inc. is a fully-integrated real estate investment trust which focuses on the ownership, operation and redevelopment of grocery-anchored shopping centers in high-density urban markets from Washington, D.C. to Boston.

Multiple activists

- **Ewing Morris**: On February 25, 2021, Ewing Morris (8.1% delivered a letter to the company nominating Darcy Morris, EM Partner's co-president and chief executive officer, for election to the board at the company's 2021 AGM.
- **Camac Fund**:
 - On February 1, 2021, Camac Fund (4.8%) released a presentation and argued that the company is trading below its liquidating value (discount to liquidation NAV: -34%). It outlined a list of recommendations including a) board representation and improve corporate governance, b) sell non-core assets to deleverage the business, and c) stop all value destruction projects and monetize development portfolio through sales and implement a capital allocation policy that maximizes ROIC, preserves cash flow and improve portfolio quality.
 - On February 26, 2021, Camac Fund (5.2%) submitted a nomination notice to the company nominating seven individuals for election to the Board at the Board at the 2021 annual meeting of shareholders. The Nomination Notice also includes a proposal concerning the repeal of any provision or amendment to the company's By-laws adopted by the Board without stockholder approval after October 27, 2020. Source
 - On March 3, 2021, Camac Fund filed proxy materials seeking support for its nominees.
- **Barington Companies Equity Partners**: On February 26, 2021, Barington Companies Equity Partners (1.5%) expressed its intention to nominate two persons for election as directors at the 2021 AGM. Source

Driver Management seeks support for its nominees in First United Corp

Market Cap: \$123 million | First United Corporation provides various retail and commercial banking services to businesses and individuals.

Background:

- Driver Management lost its proxy campaign in the last two elections.
- On January 8, 2021, Driver Management (5.2%) delivered a notice to the company nominating Mr. Cooper for election to the board at the 2021 annual meeting of shareholders and presented seven shareholder proposals.

Update:

On March 31, 2021, Driver Management filed proxy materials seeking support for its nominees and proposals

Sonic Fund announced its intention to nominate director candidates to the board of Adverum Biotechnologies

Market Cap: \$1 billion | Adverum Biotechnologies, Inc., a clinical-stage gene therapy company, engages in developing gene therapy product candidates to treat ocular and rare diseases.

Background:

On May 1, 2019, Sonic Fund (6%) entered into a cooperation agreement with the company. Pursuant to the agreement, Sonic Fund and the company worked together to identify and appoint three mutually acceptable candidates to the board. [Source](#)

Update:

On March 15, 2021, Sonic Fund (6.3%) issued a letter expressing its intention to nominate five nominees for election to the board at the company's 2021 AGM. [Source](#)

Blackwells welcomes Monmouth's announced strategic review of alternatives / Land & Buildings nominates director candidates to the board of Monmouth Real Estate Investment Corporation

Market Cap: \$1.7 billion | Monmouth Real Estate Investment Corporation (MNR), founded in 1968, is one of the oldest public equity REITs in the world.

Background:

- Strategic alternative: On January 14, 2021, the company announced that it has unanimously decided to explore strategic alternatives to maximize stockholder value. The board stated that it intends to consider the full range of available alternatives, including a potential sale or merger of the company.
- Blackwell supports strategic alternative process: On January 15, 2021, Blackwell Capital (4%) announced its support for the strategic alternatives process announced by the company, while demanding the board create a special committee of independent directors, unaffiliated with the Landy family. Blackwell stated that it has previously provided the company with notice of its intention to nominate four candidates for election to the board at the upcoming 2021 AGM. [Source](#)
- Land & Building nominate board candidates: On January 26, 2021, Land & Buildings issued a letter to the shareholders regarding the company's flawed strategic alternatives process and Land & Buildings' nomination of four director candidates for election at the 2021 AGM.
- On February 5, 2021, Blackwells Capital LLC sent an email to Jonathan Litt (Owner, Land and Buildings Investment) criticizing him for running a proxy fight by owning a minuscule amount of stock. [Kindly click here to read the mail.](#)

Update:

On March 3, 2021, Land & Buildings filed proxy materials seeking support for its nominees.

Joseph Stilwell nominates a candidate to the board of Peoples Financial Corp

Market Cap: \$82 million | Peoples Financial Corporation operates as the bank holding company for The Peoples Bank that provides banking, financial, and trust services to government entities, individuals, and small and commercial businesses in Mississippi.

Background:

- On November 23, 2020, Joseph Stilwell disclosed 8.9% stating his belief that the company should explore all possibilities to maximize shareholder value. Source
- On February 9, 2021, Joseph Stilwell (9.9%) announced that he has mailed a letter to the shareholders and stated that he intends to seek board representation at the upcoming annual meeting. Also, he stated his belief that the company should explore all possibilities to maximize shareholder value.

Update:

- On March 12, 2021, Joseph Stilwell (9.9%) announced that he had served his notice of intent to nominate Peter Prickett for election as a director at the upcoming AGM. Source
- On March 29, 2021, Joseph Stilwell (9.9%) filed proxy materials seeking support for his nominee. He stated that the company should explore all possibilities to maximize shareholder value.

Thomas Wetherald and Tobias Welo seek board changes at Taronis Fuels; ISS does not support dissident's attempt to gain control of Taronis Fuels

Market Cap: \$37 million | Taronis Fuels, Inc. operates as a renewable fuel and power generation company in the United States.

Background:

- On February 12, 2021, Thomas Wetherald and Tobias Welo (17.7%) filed proxy materials stating their belief that significant changes to the composition of the board are necessary to address the continued destruction of shareholder value, financial mismanagement, and poor corporate governance at the company. The two shareholders seek to reconstitute the board by removing five incumbent directors and electing five highly qualified nominees.
- On February 25, 2021, Thomas Wetherald and Tobias Welo entered into an amended joint filing and solicitation agreement for, among other things, (i) soliciting written consents or proxies in favor of proposals to reconstitute the and related bylaw amendments or other related actions, (ii) taking such other actions as the parties deem advisable, and (iii) taking all other action necessary or advisable to achieve the foregoing.

Update:

- On March 12, 2021, Thomas Wetherald and Tobias Welo filed a proxy material seeking support for their proposals. They proposed a 100-day plan which would benefit shareholders, employees, and other stakeholders of the company.
 - Immediately begin recruiting for a permanent CEO with strong operational experience in the industrial and chemical sectors, ideally with specific experience in industrial gasses.

- Establish expense reduction targets and cost control culture by targeting the bloated selling, general and administrative expense line which has increased over 200% since 2019.
- Conduct a thorough store by store portfolio review and return analysis of MagneGas Welding Supply Retail Stores
- Identify the path to enhancing the deployment of MagneGas in the marketplace.
- Properly capitalize the Company after determining cash flow and capital expenditure needs in conjunction with the cost review analysis.
- Perform an analytical review of the international opportunity, specifically focusing on Turkey and Amsterdam.
- Create an acquisition framework to both review past deals and evaluate future opportunities.
- Conduct a thorough independent investigation with a forensic account.
- After the completion of the strategic objectives outlined above, they stated their belief that Taronis Fuels will be in a position to successfully uplist the firm to the NYSE.
- On March 22, 2021, Thomas Wetherald and Tobias Welo filed proxy materials seeking support for their proposals.
- On March 29, 2021, ISS recommends against the Activist Group's attempt to replace the entire Board of Taronis.

Our comment

- Even though insiders own 17.2%, if you remove restricted stocks and stock options, the collective insider ownership is less than 0.2%. Yes – you read that right - only 0.2%.
- Given the fact that the shareholders own 17.7%, there is a high likelihood for them to win the election. At the same time, there are no 5% shareholders other than the activist group. So, the winning of the election is dependent on the voting of retail investors.
- We will continue to track the situation.

Standard General seeks support for its nominees at TEGNA

Market cap: \$4 billion | TEGNA Inc. operates television stations and radio stations that deliver television programming and digital content.

Background:

- In January 2020, Standard General waged a proxy campaign. At the AGM held on April 30, 2020, Standard General's nominees were not elected to the board.
- On January 20, 2021, Standard General (7.6%) submitted a notice to the company nominating a slate of four independent candidates for election to the board at the 2021 annual meeting of shareholders.

Update:

- On March 18, 2021, Adonis Hoffman, who was a nominee of Standard General, withdrew his candidacy on March 3, 2021, citing conflicts of interest and the incident seven years ago involving CEO Dave Lougee. Source
- On March 29, 2021, Standard General filed proxy materials seeking support for its nominees.

Investor Group files definitive proxy statement for director nominations at Kohl's
 Market Cap: \$9.5 billion | Kohl's Corporation operates as a retail company in the United States. Its stores and Website offer apparel, footwear, accessories, beauty, and home products.

Background:

- On February 22, 2021, Macellum Advisors disclosed that on January 11, 2021, Macellum Advisors GP LLC, Ancora Holdings Inc, Legion Partners Asset Management LLC, and 4010 Capital LLC (together holds 9.5%) nominated a slate of nine candidates for election to the Board at the company's 2021 annual meeting of shareholders. In their letter to the Board, they argued that the company's poor retail execution and strategy has led to stagnant sales, declining operating margins and a chronically underperforming stock price. They also set forth recommendations to improve the company's strategy, including changes in merchandising, inventory management, customer engagement and expense rationalization, as well as the potential to unlock \$7-8 billion of real estate value trapped on the company's balance sheet through sale leaseback transactions.
- On February 22, 2021, the company rejects an investor group's attempt to seize control of its board, saying it would disrupt the momentum it has had in revamping its business. Although Kohl's said it's been talking with the group since early December, the company said this was the first time the investors detailed their plans. "Our new strategic plan already includes several initiatives they propose and we have also determined that other ideas they propose would not be accretive to shareholder value," it said. The company said its board and management team will continue to engage in talks with the group, with the goal of "identifying new ideas that could enhance shareholder value."

Update:

- On March 11, 2021, Macellum Advisors withdrew its nomination of Marjorie L. Bowen, James T. Corcoran, David A. Duplantis, and Margenett Moore-Roberts as nominees for election at the annual meeting. With the withdrawal, Macellum Advisors intends to solicit proxies to elect the remaining nominees (five candidates) to the board at the annual meeting.
- On March 26, 2021, Christopher Kiper, managing member of Legion Partners Holdings, gave a presentation at the University of Alabama regarding the company. Also, the investor group issued a press release and a letter to the shareholders highlighting the egregious executive compensation at the company.

Indaba Capital Management nominates director candidates to Benefitfocus

Market Cap: \$483 million| The company provides cloud-based benefits management platform for consumers, employees, employers, insurance brokers, carriers, and suppliers.

Background:

On February 2021, Indaba Capital Management (9.6%) sent a letter to the board urging the board to undertake a full review of strategic alternatives, including a good faith sales process. The fund expressed concerns about the related party transactions with Mr. Holland, executive chairman of the board. Here are the past letters of Indaba Capital: December 14, 2020, and January 28, 2021

Update:

On March 16, 2021, Indaba Capital Management delivered a letter to the company nominating a slate of two director candidates for election to the board at the 2021 AGM. In its letter, Indaba argues that there is an urgent need for meaningful, shareholder-driven change on the board and that the company's continued financial and share price stagnation are driven by, among other things, costly strategic mistakes and dreadfully poor corporate governance practices, including concerning conflicts of interest, related party transactions, and a lack of diversity and independence on the board.

Our comments

a) Multiple activists

- Indaba Capital owns 9.6%, and VIE Capital owns 1.3%. Even though VIE Capital is not active in Benefitfocus, it is an aggressive activist fund.
- The company accounts for 8.6% of Indaba Capital's equity portfolio (Q4 2020 13F) and 4.9% of VIE Capital's portfolio (Q4 2020 13F).

b) Indaba Capital argument hints that the company is deeply undervalued

Extracted from the latest letter sent by Indaba Capital:

Human capital management (Peer group): Relative valuation: On an enterprise value to revenue basis, the Company trades at a meager 2.1x consensus 2021 revenue. This represents a significant discount to the HCM Peers average of 13.1x and less than half of the lowest multiple in the group. The disparity is similar when compared to the Company's self-identified Peer Group, which trades at an average multiple of 9.0x (more than 4x Benefitfocus' multiple). The valuation gap is equally stark on an enterprise value to gross profit basis. Benefitfocus trades at 3.9x 2021 consensus gross profit versus the HCM Peer average of 19.9x. Again, the analogous average multiple for the Company's self-identified Peer Group is 14.0x.

Transaction multiple: Transaction multiples tell the same story as there has been significant strategic and financial sponsor interest for well-managed human capital management companies. In 2019, peer company Ultimate Software was bought by a private eq-

uity sponsor for 8x the next 12 months' revenue. In 2020, Cornerstone OnDemand acquired Saba Software, a talent software company, for 4.9x the next 12 months' revenue.¹³ These multiples and levels of interest are not just a recent phenomenon. In 2011, SAP acquired SuccessFactors for 8.7x the next 12 months' revenue.

A couple of concerns

(a) Declining revenue:

The company's revenue declined in the last three quarters (-3.07%, -9.3%, -11%). The declining revenue trend started from Q1 2020 – i.e., pre-pandemic. In Q1 2020, the company's revenue declined due to the termination of contracts by its customers. In contrast, all the company's peer groups (except ADP) experienced revenue growth in the last three quarters- Workday, Workiva, Paylocity Holding, Ceridian HCM, Paycom Software & Cornerstone OnDemand.

(b) Red flags:

- Lease agreement with the executive chairman and a former executive - Total payments paid since 2014 and owed through the leases' lives amount to approximately \$186 million.
- As pointed out by Indaba Capital, the \$80mm capital raised by the company from Buildgroup raises serious questions about the quality of the management/board.
 - At the time of the capital raise, the company was sitting on a cash pile of \$115 million and repurchased debt that carried 1.25% interest.
 - Lanham, a director of the company, controls Buildgroup and serves as the CEO of Buildgroup.
 - Given the fact that the company is already burdened with debt amid operating losses, the capital raise makes no sense.

Overall, this is an interesting situation from a valuation perspective. At the same time, given the board like this (infested with related party transactions) a cosmetic change to the board is not enough. We will continue to monitor the situation. This stock is worth watching.

Oasis releases investor presentation recommending changes at Stratus Properties

Market Cap: \$246 million | Stratus Properties, Inc. (STRS) engages in the acquisition, development, management, and sale of commercial, and multi-and single-family residential real estate properties primarily in Austin, Texas.

Background:

On January 5, 2021, Oasis Management (13.7%) disclosed that on December 31, 2020, it submitted to the company a formal notice of its intent to: (i) present a non-binding advisory proposal to increase the size of the board by one and appoint Laurie L. Dotter to fill

the newly-created vacancy, and (ii) nominate two individuals, Ms. Benson and Jaime Eugenio De La Garza Diaz, for election to the board at the 2021 AGM.

Update:

- On March 1, 2021, Oasis Management (13.5%) released an investor presentation recommending changes to the company. In its presentation, Oasis Management opposes REIT exploration as it halts asset disposals and associated shareholder returns through at least 2027. Furthermore, contrary to the company's claims, it is not apparent that a REIT structure will create value for Stratus's shareholders when considering Stratus's size, asset mix, cashflow profile, and other characteristics. Oasis proposes new independent, diverse directors with real estate and public board experience that will hold management accountable and act in the best interests of all shareholders. Source
- On March 29, 2021, Oasis Management filed proxy materials seeking support for its nominees.

M&A

HoldCo issues a detailed presentation opposing the Boston Private's proposed merger with SVB

Market Cap: \$1.1 billion | Boston Private Financial Holdings, Inc. (BPFH) operates as the bank holding company for Boston Private Bank & Trust Company that provides a range of banking products and services in the United States.

Background:

- On January 8, 2021, the Company entered into a definitive merger agreement with SVB Financial Group pursuant to which SVB will acquire Boston Private for about \$900 million.
- On January 27, 2021, Holdco Asset Management (4.9%) announced that it has submitted a notice of its intention to nominate up to five candidates for election to the Board. Further, it stated that it agrees with the Board of Boston Private that the best way to maximize value for shareholders is to pursue a sales process but stated that the announced sale price undervalues the company.
- On February 2, 2021, HoldCo Asset Management stated that on January 5, 2021, it had issued a letter and presentation to the board expressing its concerns with the performance and leadership of the company.

Update:

On March 30, 2021, HoldCo Asset Management issued an investor presentation detailing its strong opposition to BPFH's planned merger with SVB Financial Group and urged all shareholders to vote against the merger.

Aristides Capital opposes the proposed merger of Tortoise Energy Fund

Market Cap: \$31 million | Tortoise Energy Independence Fund, Inc. is a close ended equity mutual fund launched and managed by Tortoise Capital Advisors L.L.C.

Background:

- On October 29, 2020, Aristides Capital (16.5%) stated that it may have discussions with the management and the Board regarding the company's business, strategies and operations. Aristides Capital stated that it was concerned by the recent amendments to the company's bylaws, and particularly the new requirement that any nominee or proposal be put forth only by a stockholder who has owned at least one percent of the outstanding shares for a minimum period of at least three years. Aristides Capital stated its belief that this improperly interferes with fundamental stockholder voting rights, that the provision has the potential to entrench the management and Board of Directors, and thus that this provision may be legally invalid. [Source](#)
- On November 11, 2020, the company announced that its Board has approved a proposal to merge Tortoise Energy Independence Fund, Inc. (NDP) with and into Tortoise Pipeline & Energy Fund, Inc. (TTP).

Update:

- On March 19, 2021, Aristides Capital (16.5%) issued a public letter to NDP's shareholders outlining its concerns regarding the proposed merger with Tortoise Pipeline & Energy Fund, Inc. (TTP). It announced that it would be voting against the proposed merger. It stated that instead of pursuing this merger, the board should convert the company to an open-end fund or liquidate the assets. [Source](#)
- On March 31, 2021, Aristides Capital reiterated its concerns on the proposed merger.

Capital Returns Management urges shareholders to vote against the proposed sale of FBL Financial Group to Farm Bureau Property & Casualty Insurance Company

Market Cap: \$1.4 billion | FBL Financial Group, Inc., through its subsidiaries, sells individual life insurance and annuity products.

Background:

On January 11, 2020, the company reached a definitive agreement with Farm Bureau Property & Casualty Insurance Company ("FBPCIC"), under which FBPCIC will acquire all of the outstanding shares of the Company's Class A and Class B Common Stock that neither the FBPCIC nor the IFBF own for \$56 per share in cash.

Update:

On March 18, 2021, Capital Returns Management (0.3%) issued an open letter to the shareholders urging them to vote against the proposed sale to FBPCIC. It stated that the company is worth "substantially more than" \$56 per share. Capital Returns believes that

a buyer can and should pay more than \$70 per share, in line with prior transactions of this type in the industry. [Source](#)

Follow-up

Gunther Family Trust plans to initiate a "vote no" campaign against one or more directors of Altabancorp

Market Cap: \$717 million | It operates as the bank holding company for Altabank, a state-chartered bank that provides retail and commercial banking products and services.

Background:

On January 13, 2021, Dale O. Gunther and Blaine C. Gunther, in their capacity as the designated representatives of Gunther Family (31.1%) sent a letter to the Board and urged them to conduct an objective evaluation of the strategic alternatives available to maximize the value to shareholders and other stakeholders. Within a few weeks, the Trust's two representatives resigned from the Board.

Update:

On March 15, 2021, Dale O. Gunther and Blaine C. Gunther issued an open [letter](#) to the shareholders announcing that they expected to initiate a "vote no" campaign against one or more directors.

Our comment:

In the past, we wrote that if the Gunther Family Trust launches a proxy campaign, it could be an interesting situation. Now, the Gunther Family Trust announced that it would consider launching a no-vote campaign. Given the fact that the management is resisting to sell the company, no-vote campaign could only help gauge the overall investor sentiment but may not help in securing any tangible result.

Lionbridge and Robotti issue open letter to CMCT's Board

Market Cap: \$200 million | CIM Commercial is a real estate investment trust that primarily acquires, owns, and operates Class A and creative office assets in vibrant and improving metropolitan communities throughout the United States.

Background:

Lionbridge Capital and Robotti Advisors

- On January 13, 2021, Lionbridge Capital and Robotti Advisors (together 3.16%) issued a press release announcing the nomination of six candidates for election to the Board at the company's 2021 annual meeting of stockholders. Also, they sent a letter to the Board

expressing their concerns as well as highlighted potential opportunities for the company to maximize stockholder value. They expressed their concerns that the Board may be favoring the interests of the company's external operator and administrative services provider to the detriment of the stockholders. As indicated in the letter, Lionbridge Capital and Robotti Advisors anticipate that a newly constituted board would undertake a strategic review of the company exploring all options, including a sale for cash and/or a mix of cash and securities of another publicly traded company, or, if appropriate, an orderly liquidation of CMCT's assets. Source

Engine Capital

- On May 18, 2020, Engine Capital disclosed 6.2% and sent a letter to the Board expressing its concerns as well as highlighted potential opportunities for the company to maximize stockholder value. Engine Capital expressed its concerns that the Board may be favoring the interests of the company's external operator and administrative services provider to the detriment of the stockholders. Given the significant discount to net asset value that the shares trade, Engine Capital called on the Board to immediately stop any plans to raise equity at this point in time, and expressed its belief that a liquidation or a sale represents the best risk-adjusted path forward for stockholders.
- On December 11, 2020, Engine Capital issued a press release announcing the nomination of six independent candidates for election to the Board at the 2021 annual meeting of stockholders.

Update:

On March 15, 2021, Lionbridge Capital Robotti Advisors (together 5%) issued an open [letter](#) to the board urging them to explore strategic alternatives including, but not limited to, an orderly sale of the company's assets or another transaction that reflects CMCT's substantial underlying value. Also, they stated their belief that their nominees will fairly and objectively help consider all such strategic alternatives.

CVR Energy releases an open letter to Uzi Yemin, chairman of the board of Delek US Holdings

Market Cap: \$1.7 billion | Delek US Holdings, Inc. engages in the integrated downstream energy business in the US.

Background:

- On March 19, 2020, Carl Icahn disclosed a 14.86% stake and expressed its belief that the company could present an excellent synergistic acquisition opportunity for CVI's petroleum segment.
- On January 14, 2021, Carl Icahn (on behalf of CVR Energy, Inc.) delivered a letter to the Chairman of the Board stating his belief that the company desperately needs new strategic direction, and he would like to work collaboratively with the company to replace three nominees at Delek's upcoming 2021 AGM with three independent nominees proposed by CVR. Icahn stated that he expect these nominees, if elected, would urge a more

prudent business model favoring a competitive asset base focused on financial discipline and cash flow generation, including the following actions are critical given the current industry outlook: (i) Cease Delek's refining operations at the Krotz Springs and El Dorado refineries and convert them to terminals, renewable diesel production or for other purposes, (ii) Cease Delek's pattern of dropping down core refining assets into Delek Logistics Partners, LP at value-destroying prices, (iii) Sell Delek's retail business at current high prices while retaining wholesale marketing, (iv) Exit non-core supply and trading activities and discontinue all other activities that add no value to Delek's core refining business, (v) Simplify Delek's corporate structure and reduce G&A expense significantly.

- On February 2, 2021, Carl Icahn (on behalf of CVR Energy, Inc.) notified the company that he intends to nominate and seek to elect three individuals to the board at the 2021 AGM.

Update:

On March 24, 2021, Carl Icahn (on behalf of CVR Energy, Inc) sent a letter to the company demanding the right to inspect certain books and records of the company.

TAFE proposes that the AGCO board add three new directors and change the lead independent director

Market Cap: \$9.7 billion | AGCO Corporation (AGCO) manufactures and distributes agricultural equipment and related replacement parts worldwide.

Background:

- On November 12, 2020, Tractors and Farm Equipment Limited (TAFE) disclosed a 16.2% active stake in the company and stated its beliefs that the separation of the role of chair of the board and CEO would better fulfill the board's duty of oversight of the company. Moreover, it noted that it is considering a submission of a stockholder proposal to determine if company stockholders broadly support the separation of the roles of chair and CEO.
- On December 4, 2020, TAFE stated that it continues to believe that separating the role of chair and CEO is needed to reset the governance standards at AGCO and ensure independence of the board at the time of CEO succession.
- On February 17, 2021, Ms. Srinivasan sent a letter to the board to express his concern regarding the board's insufficient progress in refreshing board composition and implementing governance, strategic and financial changes intended to maintain and enhance the shareholder value of the company. The letter also reiterated TAFE's proposal that the board appoints three new directors as part of a broad refresh.

Update:

On March 2, 2021, Ms. Srinivasan (16.18%) stated that as the largest shareholder, TAFE feels compelled to share its concerns with respect to the company's weakening long-term competitive position and the steps necessary to address this towards creating sustainable value for all shareholders. Ms. Srinivasan stated that TAFE has been stressing the need

for a broad board refresh through the appointment and election of three independent directors with the requisite expertise and board leadership experience. TAFE's perspectives in this regard were shared with the board about six weeks ago, and a presentation was attached [here](#).

Lee Enterprises denied adding Cannell Capital's representative to the board

Market Cap: \$145 million | Lee Enterprises, Incorporated (LEE) provides local news and information, and advertising services in the United States.

Background:

In 2019, Cannell Capital recommended shareholders to vote AGAINST the election of incumbent directors. At the [AGM](#) held on February 20, 2019, all the incumbent directors were re-elected to the Board.

Update:

On February 19, 2021, Cannell Capital (8.64%) stated that it had enjoyed a telephone call with Lee Enterprises Chairman Mary E. Junck in which it proposed and requested a reply to a recommendation for the addition of a new member to the board of directors. Cannell Capital believes that the company is undervalued, and that this new member of the board's appointment would go a long way toward decreasing the discount between LEE's market value and its estimate of LEE's economic value. On February 26, 2021, Ms. Junck replied to Cannell Capital, dismissing its recommendation and request. While Cannell Capital applauds the progress that the company has made, it believes that there is considerably more work to be done and that changes to the board of directors would benefit all shareholders. [Source](#)

Engine No. 1 releases a white paper detailing changing energy landscape in response to ExxonMobil investor day presentation

Market Cap: \$255 billion | Exxon Mobil Corporation (XOM) explores for and produces crude oil and natural gas in the United States, Canada/Other Americas, Europe, Africa, Asia, and Australia/Oceania.

Background:

- On December 7, 2020, Engine No. 1, LLC issued a press release announcing its intention to nominate four director candidates to the board in connection with the 2021 Annual Meeting of shareholders. The California State Teachers' Retirement System (CalSTRS) announced its support for Engine No. 1's director candidates. In its letter, Engine No. 1 outlined the case for much-needed change at ExxonMobil and a proposed path forward to protect and enhance long-term value for the company's shareholders.
- On January 27, 2021, Engine No.1 formally nominated four director candidates to the board in connection with the 2021 AGM. Additional information may be found at www.ReenergizeXOM.com.

Update:

- On March 3, 2021, Engine No. 1 LLC released a white paper by a leading energy market and policy expert analyzing the risks and opportunities facing ExxonMobil in a rapidly changing industry. This analysis details an evolving industry that requires significant long-term business model innovation to enhance and protect shareholder value, which contrasts sharply with the outlook set forth by ExxonMobil in its presentation to investors today. Engine No. 1 believes this analysis underscores the need for new board members with successful and transformative energy industry experience who can help position ExxonMobil better for today and tomorrow. Source
- On March 25, 2021, Engine No. 1 LLC filed proxy materials seeking support for its nominees.

David S. Hall resigns from the board of Velodyne Lidar

Market Cap: \$2.2 billion | Velodyne Lidar, Inc. (Revenue: \$96.5 million) develops and produces lidar sensors for use in industrial, 3D mapping, drones, and auto applications in North America, the Asia Pacific, Europe, the Middle East, and Africa.

Background:

On February 12, 2021, David S. Hall (58.4%), founder and executive chairman of the board, delivered a letter to the company nominating Eric Singer, managing member of VIEX Capital Advisors, for election to the board at the 2021 AGM. Source

Update:

- On March 2, 2021, David S. Hall (58.4%) resigned as a director of the company, stating that he felt marginalized in the boardroom and did not believe his input has been respected by the other members of the board. Source
- On March 10, 2021, David S. Hall (54.7%) issued a letter to the board stating that he resigned from the board because he had numerous concerns about the strategic direction and current leadership of Velodyne Lidar. He stated his belief that the board has fostered an anti-stockholder culture and that Velodyne Lidar's corporate governance is broken. Perhaps most unsettling was the board's decision to rubberstamp an increased compensation package for Mr. Gopalan despite the company releasing weak Q4 2020 earnings and missing year-end forecasts.

Others

Kimmeridge withdrew its director nominations in Ovintiv Inc

Market Cap: \$6.8 billion | Ovintiv Inc. (OVV), together with its subsidiaries, engages in the exploration, development, production, and marketing of natural gas, oil, and natural gas liquids.

Background:

- On January 14, 2021, Kimmeridge Energy Management Company published an investor presentation where the fund outlined the company's failures and provided a framework for restoring confidence in Ovintiv, applying the core principles previously outlined in its white papers. Kimmeridge has argued that the E&P sector needs to embrace a new business model focused on (i) returning capital to shareholders, (ii) lowering reinvestment rates, (iii) reducing absolute debt, (iv) aligning management compensation with the interests of shareholders, and (v) establishing credible environmental targets aligned with the Paris Agreement.
- On January 26, 2021, Kimmeridge Energy Management Company (2.5%) announced the nomination of three candidates, including its founder Ben Dell, to the board.

Update:

On March 4, 2021, Katherine L. Minyard, investment principal and partner at Cambiar Investors, has been appointed as an independent member of the board. In connection with the appointment of Minyard, Ovintiv has entered into an agreement with Kimmeridge Energy Management Company under which Kimmeridge has agreed, among other things, that it will withdraw its previously submitted director nominations and vote its shares in favor of Ovintiv's directors. [Source](#)

Feedback

“If someone can prove me wrong and show me my mistake in any thought or action, I shall gladly change. I seek the truth, which never harmed anyone: the harm is to persist in one's own self-deception and ignorance.” - Marcus Aurelius

If you have any comment or feedback, please let us know. You can write to raghu@snowballresearch.com Thank you for your time

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