TO: Investment Partners
FROM: Emeth Value Capital | emethvaluecapital.com
DATE: 08/16/2019
RE: 2019 H1 Letter

Annualized Net Returns to June 30, 2019 (unannualized if < 1 year, inception 12/31/2015)			
	Emeth Value Capital	MSCI ACWI Index	Delta
6 Months	+40.10	+16.33	+23.77
1 Year	+13.19	+5.99	+7.20
2 Years	+16.17	+8.38	+7.79
3 Years	+20.84	+11.76	+9.08
Since Inception	+17.79	+10.64	+7.15

Calendar Year Net Returns to June 30, 2019			
	Emeth Value Capital	MSCI ACWI Index	Delta
2016	+9.41	+8.39	+1.02
2017	+39.89	+24.35	+15.54
2018	-17.29	-9.12	-8.17
2019 YTD	+40.10	+16.33	+23.77
Cumulative Since Inception	+77.34	+42.48	+34.86

Foreword

I intend to share the updated results at the outset of each letter. It is worth reiterating that I ascribe little significance to short term results. I look out many years when making investments for the partnership and believe our results are best weighed using a similar time horizon.

The Nature of Public Equity Investing

While allocating capital on behalf of a university endowment, specifically within public equity, I read through countless pitchbooks and attended thousands of meetings where investors would explain their investment philosophy, process, and sources of competitive advantage. Unfortunately, I quickly learned that self-proclaimed investment philosophies confer little information about one's merit as an investor. There are surprisingly few investors seeking to be short term, purchase low quality assets, and invest alongside bad

management teams at a premium to intrinsic value. Furthermore, tangible sources of competitive advantage available to private market participants are generally non-existent in the public markets. More specifically, GP brand equity is irrelevant, proprietary idea sourcing does not exist, operational control is rare, and non-recourse leverage cannot be applied. So then, what elements underpin my confidence in the long term outperformance of our partnership? The first is the disparate importance of independent thought and behavioral discipline. Over the last twelve months, the average stock on the New York Stock Exchange had a yearly high that was seventy-nine percent higher than the yearly low. Pervasive emotion-fueled decision making often results in stock prices that fluctuate significantly more than intrinsic value, allowing our partnership to leverage a highly favorable aspect of public market investing – the ability to invest at any time at a quoted price. Second, the core competence of any public markets investor is judgement, and I believe the effective exercise of judgement requires an individual (or perhaps a small team). Large teams have their advantages: they can more effectively collect data, and they are better equipped to execute on processes. However, strength does not lie in the assembly of information, but rather in the interpretation of it. Finally, our partnership is structured with the sole intention of maximizing long term net returns. The temptation to prioritize business development at the expense of performance is widespread in the investment management industry. I wish to make it abundantly clear that I have no desire to participate in such behavior. This means retaining maximum investment flexibility, limiting the scale of our partnership, maintaining a single investment strategy, and focusing virtually all of my time on investment research.

Portfolio Construction

Generally speaking, I intend to operate with a fully invested portfolio. It is tempting to think that, no matter what has been accomplished in the past, the future will be less attractive. As Peter Lynch succinctly captures, “We've been warned (in no particular order) that a rise in oil prices is a terrible thing and a fall in oil prices is a terrible thing; that a strong dollar is a bad omen and that a weak dollar is a bad omen; and that a drop in money supply is cause for alarm and an increase in the money supply is cause for alarm too.” Investors succumb to the anxieties of the day. Yet, over any meaningful stretch of time, being perennially bearish proves to be the most expensive mistake. Consider the last thirty years of US equity market performance. A passive investor would have earned a compounded annual return of 10.3 percent by remaining invested in the S&P 500 over this timeframe. Now, assume for a moment that we are able to perfectly forecast the manic behavior of Mr. Market. By removing the worst thirty quarters from this series, we are left with a compounded annual return of 19.4 percent, or 9.1 percent per annum better than a passive investor. On the other hand, missing the best thirty quarter’s results in a compounded annual return of less than zero, or 10.4 percent per annum worse than a passive investor. The best quarters often occur when things look bleakest – and no alarm sounds to warn you that it is about to happen. Value investors often herald cash as the chief defense against permanent capital loss, and yet there is ample reason to suggest the opposite is true.

The Perils of Market Timing *30 Years to June 30, 2019*	Annualized Returns	Delta
S&P 500 (1989-2019)	+10.3%	
ex- 30 worst quarters	+19.4%	+9.1%
ex- 30 best quarters	-0.1%	-10.4%

With this in mind, our partnership is advantaged by the willingness to own a concentrated portfolio and the flexibility to invest globally. Were I required to own a portfolio of fifty companies and limit my focus to a single country, remaining fully invested without compromising investment quality would prove to be a challenge. In that context, I resonate with Peter Cundill's notion that "There's always something to do." Below I highlight Crayon Group Holding ASA, a Nordic based company that constitutes over twenty percent of our partnership's assets.

Crayon Group Holding ASA

Overview

Crayon Group Holding ASA is a full service IT advisory firm that offers Software Asset Management (SAM), IT Consulting, and Software Licensing. Hyperscale software vendors like Microsoft, Oracle, and IBM count on value-added distributors like Crayon to enable the consumption of complex software, educate the market on new offerings, and provide customer service and billing. In tandem, customers rely on Crayon to navigate complex IT decision making, manage existing IT investments, provide technical consultancy and facilitate the procurement and provisioning of software. Notably, Crayon has the world's largest independent SAM practice and is a global leader in cloud-based IT solutions. Crayon was founded in Oslo, Norway in 2002 by Jens Rugseth and Rune Syversen who jointly own twelve percent of the company. Over the last fifteen years Crayon has expanded into twenty-three countries around the world, compounding revenue at more than thirty percent per annum.

The Cloud Economy

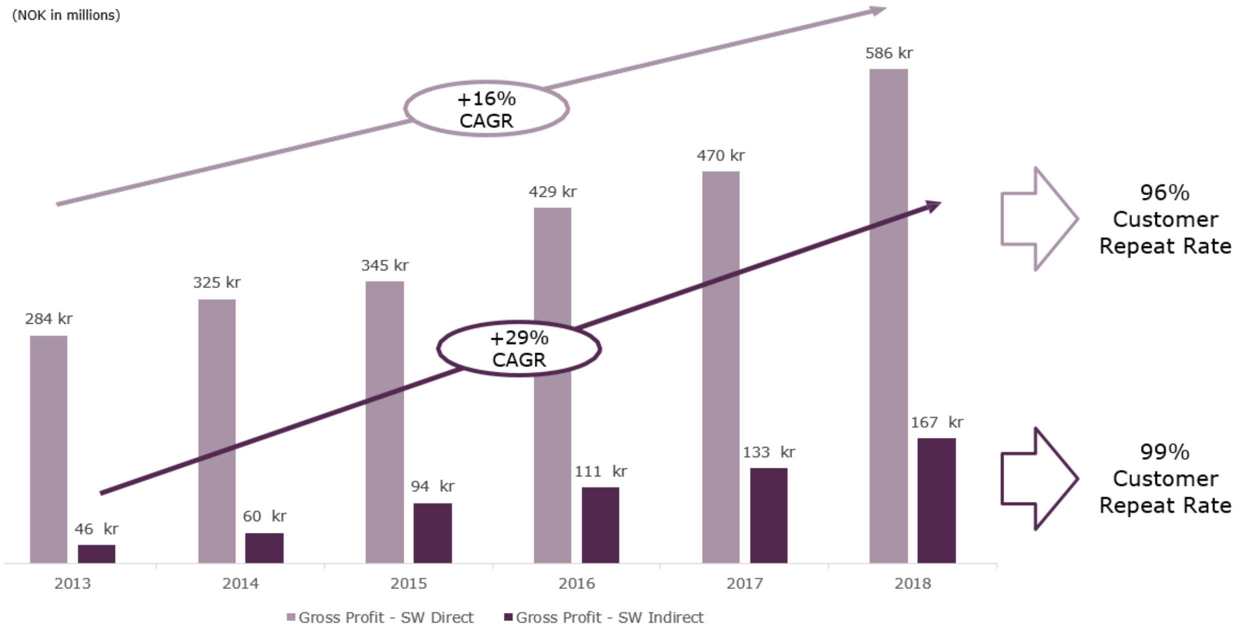
IT operations that once required dedicated physical assets can now be fulfilled remotely through the cloud, enabling customers to access the most up-to-date technology, elastically provision resources according to business needs, and only pay for what they consume. This structural shift to cloud consumption is happening at a rapid pace as it offers customers increased flexibility, zero up-front capital expenditure, and lower overall cost compared to the traditional model of on-premises deployment. Cloud-based models can be divided into three main categories: public, private, and hybrid. In a public cloud environment, compute resources are made publicly accessible and are shared across many clients. Microsoft Azure and Amazon Web Services are examples of public cloud. A private cloud model involves a distinct and secure cloud-based architecture with dedicated server capacity on which only the specified client can operate. This allows for a high degree of customization and security and is more similar to on-premises IT infrastructure. Hybrid cloud models include elements from both public and private clouds, i.e., some workloads are located in a proprietary cloud environment while others reside on a public platform. Furthermore, within these cloud environments there are three commonly referred to layers of the technology stack: software as a service

(SaaS), platform as a service (PaaS), and infrastructure as a service (IaaS). The most comprehensive layer of the technology stack, SaaS, provides a complete application that is delivered over the internet, avoiding the need to install, update, or maintain any hardware, middleware, or software. Common examples of SaaS include productivity tools such as Gmail and enterprise grade applications like Workday. The middle layer of the stack, PaaS, is a development and deployment environment in the cloud that enables developers to easily build and deliver cloud-based applications. PaaS is designed to support the complete application lifecycle: development, testing, deploying, managing, and updating. Finally, the most fundamental layer of the technology stack, IaaS, is instant computing infrastructure provisioned and managed over the internet. IaaS obviates the capital expense and complexity of on-premises datacenter infrastructure, allowing customers to provision compute resources as needed and only pay for what they consume. In large part, the cloud economy has elevated digitalization to the cornerstone of corporate strategy for companies across all industries. IT resources previously inaccessible to companies without significant scale are now provisionable within minutes, enabling more companies to automate services, collect and analyze more data, streamline processes, and create new and better applications. In this context, Crayon has built a leading cloud economics practice offering cloud-based software solutions, infrastructure provisioned over the cloud, cloud migration services, customized application development, and IT estate optimization.

Software Licensing

Crayon is a trusted distribution partner for hyperscale software vendors such as Microsoft, Amazon, Adobe, Symantec, Citrix, VMWare, Oracle, and IBM. For decades, third-party distributors have been the primary route to market for major hardware and software vendors, representing as much as eighty percent of sales. In the early 1980's, distributors like Ingram Micro, Synnex, and CDW established themselves by providing superior logistical efficiency to hardware vendors who, at the time, primarily sold through captive dealers that had no outbound sales teams, no interest in fulfilling small orders, and offered an incomplete range of products. Over time, however, the inherent advantage of utilizing a distributor that could serve as a one-stop-shop for customers and share the economies of scale with suppliers became apparent to even large OEMs. Meanwhile prior to the 1970's, customers had to write custom software to operate newly acquired hardware, which required significant capital and proved to be time intensive. This led some OEMs to write industry-specific software which was then bundled with hardware and sold as a turn-key solution. Before long, programmers saw an opportunity to write better software that would be applicable across multiple industries

and would be hardware platform agnostic, thus giving birth to the industry of independent software vendors (ISVs). Ultimately, as the ecosystem of independent software vendors proliferated, products were necessarily sold with an accompanying hardware solution and software vendors were able to achieve extensive customer reach by selling through the existing distributor network. At present, cloud-based software licensing has fundamentally changed the role of the distributor. Software that was previously sold under perpetual license agreements and installed on client-owned infrastructure is now being provisioned over the cloud on a subscription or pay-per-use basis. Transaction-oriented distributors geared toward large one-off sales have been forced to reorient toward growing ongoing client usage, requiring a different sales mentality, skill set, and incentive system. Moreover, this paradigm shift is complicated by software vendors that wish to promote their own cloud-based infrastructure solutions at the expense of incumbent OEM hardware. Fortunately, as a software-only distributor with a broad offering of services, Crayon is a distinct beneficiary of the transition to the cloud. Crayon distributes software under two models: direct licensing and indirect licensing. Under the direct licensing model, Crayon serves large corporate customers who need help understanding, procuring, provisioning, and implementing the software that they use. In addition, Crayon handles customer support, provides technical assistance, and manages customer invoicing. Crayon generates profit on license sales through both backend and front-end margin. On the backend, Crayon receives incentive payments from software vendors, which are paid as a percentage of revenue. On the front-end, Crayon charges its own uplift on cost price, which it then passes through to customers. Importantly, software distribution has increasingly become a recurring revenue business with the transition to cloud-based licensing. Over the last five years, Crayon's software direct segment has grown gross profit at sixteen percent per annum with a customer repeat rate of ninety-six percent. Under the indirect licensing model, Crayon serves the SMB market by enabling a global network of tier-two managed service providers. These managed service providers own the customer relationship but work through a tier-one distributor, such as Crayon, to procure and provision software from the vendor. Notably, Crayon's Cloud-iQ portal provides tier-two partners with a single platform to self-provision cloud services across multiple vendors, automate customer billing, generate comprehensive spending reports, and manage subscriptions across end users. In addition, Crayon provides tier-two partners with technical enablement and training, customer lead generation, white label customer support options, and marketing as a service. Simply put, Crayon's technical expertise and internal IP allows sub-scale managed service providers to thrive in the cloud economy. Over the last five years, Crayon's software indirect segment has grown gross profit at twenty-nine percent per annum with a customer repeat rate of ninety-nine percent. As of 2019, seventy percent of Crayon's software licensing was cloud-based, up from fifty percent in 2016.



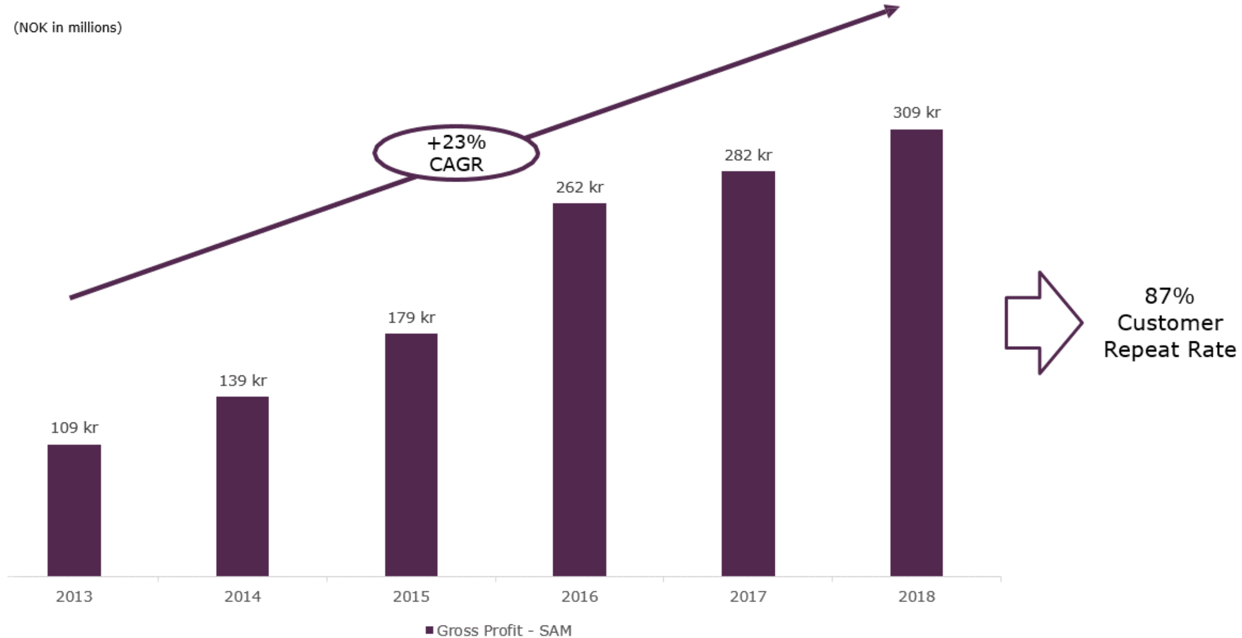
Infrastructure Licensing

Perhaps the most compelling opportunity for Crayon is the distribution of Infrastructure-as-Service. While sales efforts for cloud-based infrastructure began internally at most hyperscale vendors, Microsoft and Amazon have recently turned to IT distributors to drive consumption of their IaaS offerings. The IaaS market accounts for thirty billion dollars of annual compute spend and is projected by Gartner to grow at twenty-seven percent per annum over the next four years. As a value-added distributor, Crayon is involved in designing a customer's cloud architecture and implementation roadmap, and earns a recurring profit, which is paid as a percentage of monthly customer compute spend. Crayon is the fifth largest Microsoft Cloud Solution Provider (CSP), one of only eleven that is managed directly by the Microsoft Seattle office, and has been an AWS partner since the inception of their partner program in 2016. While Crayon does not yet disclose the aggregate IaaS licensing revenue, they announced in Q1 2019 that revenue from Microsoft Azure grew 400 percent year over year. It is important to note that because Crayon has no legacy hardware segment, licensing revenue from IaaS is one hundred percent net new revenue for Crayon.

Software Asset Management

Crayon's heritage as a leading Software Asset Management (SAM) provider differentiates them from more transactional distributors and uniquely positions them to capitalize on the increasingly complex IT environment. Over the last decade, a dramatic increase in software offerings coupled with new licensing models has made it difficult for a company to access whether it has the most appropriate software and if it is overpaying for its current licenses. Indeed, a typical Crayon customer purchases software for thousands of employees across an average of fifty software vendors under a variety of different licensing structures. Further complicating this situation is the fact that software is often sold as a suite rather than as individual SKUs, leading companies to frequently purchase software they don't need or do need but don't know they have. For example, it is common for a company to be paying for four different security systems with identical functionality or to have entitlements to run a database on 500 servers when they only have 300

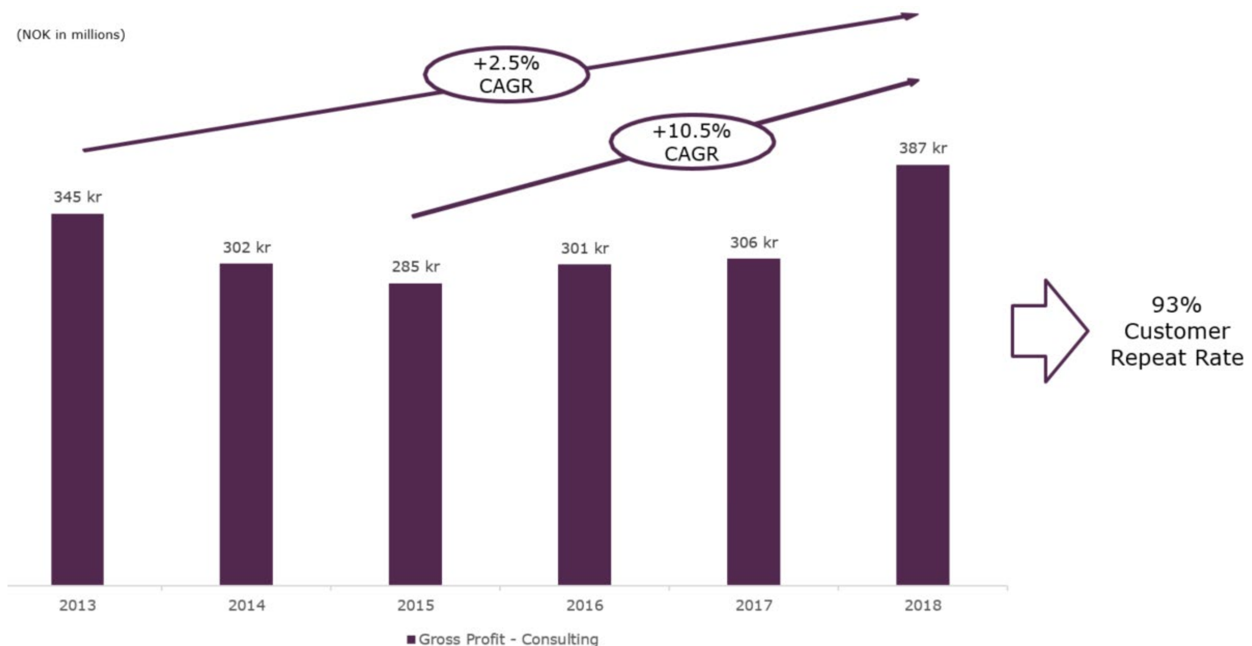
servers. Mistakes are further compounded as companies lean on procurement teams who do not have the technical expertise to understand what they are buying to lead negotiations with software vendors. Crayon's principle belief is that SAM provides the foundation for all intelligent IT capital allocation. In order to maximize the return on investments in complex technology, a company must be aware of what is being purchased across its IT estate, the entitlements its existing agreements provide, and the technology consumption profiles of its global workforce. Accomplishing this, however, is no simple task. Through an extensive portfolio of internally developed IP and 300+ global SAM consultants, Crayon's flagship SAM offering is often able to reduce a customer's software expenditure by fifteen to thirty percent, delivering a return of ~30x for every dollar spent. This in turn creates tremendous customer loyalty and allows Crayon to leverage SAM as their go-to market model. Moreover, Crayon provides customers the ability to self-manage their IT estate by utilizing Crayon's internal IP as a subscription service. The SAM-iQ platform is a web portal that provides tools, ready-to-deploy procedures, templates, and workflow documentations to help customers establish and maintain enterprise-wide software management standards. Crayon believes that SAM-iQ is the only SAM offering based on a per-user-per-month model, and in 2018 subscriptions to the platform grew 170 percent year over year. Finally, in addition to the associated cost savings from IT optimization, Crayon's SAM offering provides customers with the peace of mind of establishing a defensible audit position. Ultimately, without a proper SAM solution, customers struggle to sort out how their actual use of a given software product syncs up with their current software entitlements, increasing the risk of significant unbudgeted costs. According to IDC, sixty-five percent of companies are audited by at least one software vendor every twelve months, with fifty-six percent having found out they owe their vendor for unlicensed use.



Consulting

Crayon's consulting services create business value for customers through directed investments in complex technology and by providing outsourced technical expertise to address problems customers are unable to

solve internally. Crayon provides consulting services principally within two areas: cloud consulting and solutions consulting. First, their cloud consulting practice assists customers in cloud migration and deployment, including the architecture of hybrid cloud environments. This helps customers understand which business processes and goals can be addressed with cloud solutions and what benefits to expect from cloud-related investments. Crayon then designs a tailored data and application architecture for the customer's cloud environment and executes a detailed project implementation roadmap to ensure a successful cloud transition. Finally, they provide a governance framework that enables the client to remain in compliance with relevant technology domain legislation like GDPR. Second, Crayon's solutions consulting practice delivers bespoke application development and advisory services aimed at increasing business value for customers. Common project mandates include: IT infrastructure planning and analysis, platform design and support, custom software application development, and applied Artificial Intelligence and Machine Learning. While current cloud consumption is dominated by back-end applications, Crayon expects the market for front-end applications to expand rapidly over the next five years, as all companies, irrespective of industry, effectively become technology companies. In particular, Crayon has invested heavily in Artificial Intelligence and Machine Learning capabilities and in 2019 was recognized as the global Microsoft AI and Machine Learning Partner of the Year. Recent examples of AI/ML applications include Crayon's collaboration with Norway's leading hospital to transform their diagnostic approach to colon cancer and working with Norway's largest dairy producer to create a Machine Learning solution that improved its ability to forecast milk production. In 2018, Crayon's Artificial Intelligence and Machine Learning practice grew 105 percent year over year, while the overall consulting segment grew twenty-six percent year over year.



M&A Opportunity

Crayon is positioned in a large and fragmented market where smaller channel partners without IP and scale have been unable to make the necessary investments to stay competitive in the cloud economy. This

provides an attractive opportunity for large players with IP and global reach to acquire and integrate smaller competitors, leading to a consolidation in market share. To date, Crayon has successfully completed fifteen acquisitions, allowing them to build a presence in twenty-three countries across the world representing eighty percent of the global software market. Two recent acquisitions include Sequint and Kryptos Technologies. Crayon announced the acquisition of Sequint, the second largest Microsoft reseller in the Netherlands, for an equity value of forty million NOK in 2019. Sequint had significant revenue opportunities through utilizing Crayon's extended vendor authorizations and IP and could reduce costs by leveraging Crayon's automated provisioning infrastructure to right-size their organization. In 2018, Sequint generated eight million NOK in EBITDA, and Crayon believes there is a clear path to doubling EBITDA over the next two years with limited risk. In addition, nearly two thirds of the total consideration for Sequint is subject to a two year earn-out agreement. If Sequint performs as expected, then Crayon would have acquired the business for two and a half times 2020 EBITDA with a deal structure that provides meaningful downside protection. In 2018, Crayon acquired Kryptos Technologies, a leading IT managed service provider in India, for an enterprise value of eight and a half million NOK. Kryptos provides Crayon with an increased local presence in India and a scalable, low-cost platform to provide relevant and valuable services to all of Crayon's customers worldwide. Owning to substantial revenue synergies, Crayon believes they can achieve a 400 percent return on the Kryptos acquisition under conservative business targets.

Valuation

To provide a comprehensive assessment of Crayon, it is necessary to deconstruct the business by geographic segment. This is particularly relevant because Crayon's recent international expansion masks significant underlying profitability, as costs to enter a new geography are expensed immediately rather than capitalized and expensed over time. This creates a simple cost-to-revenue recognition mismatch. For example, Crayon expects newly entered geographies to turn profitable on an EBITDA basis after four to five years, which is longer than they have had a presence in eighteen of their twenty-three countries. Furthermore, new geographies continue to benefit from operating leverage many years after achieving break-even by acquiring new customers that provide recurring revenue on an already established cost base. While this dynamic understates the expected value of geographies where Crayon is currently experiencing significant commercial momentum, it also conceals the substantial downside protection that is offered by Crayon's mature Nordic segment.

NOK (Millions)	2014	2015	2016	2017	2018
Gross profit					
Nordics	692.0	685.1	757.7	760.6	902.0
Adjusted EBITDA					
Nordics	163.9	176.8	204.4	181.0	266.0
Margin %	*24%*	*26%*	*27%*	*24%*	*29%*
HQ	-5.9	-10.6	-8.7	-13.9	-31.9
Adjusted EBITDA (Nordics)	***158.0***	***166.2***	***195.7***	***167.1***	***234.1***
- CAPEX					***-62.0***
- Interest					***-35.0***
- TAX					***-32.9***
= FCF					***104.2***
Market Cap @ 18 NOK/Share					***1,357.2***
Net Debt					***400.0***
Enterprise Value					***1,757.2***
EV/ Nordics EBITDA					***7.5x***
Market Cap / Nordics FCF					***13.0x***

The table above outlines the last five years of gross profit and EBITDA growth for Crayon's Nordic segment, which accounts for sixty percent of Crayon's total gross profit and forty percent of Crayon's global head count. Gross profit in the Nordic segment grew over eighteen percent in the recent calendar year and nine percent per annum over the last three years, and it generated 104.2 million NOK in free cash flow in 2018. Accordingly, at 18 NOK per share (the partnership's cost basis) Crayon's business was valued at only thirteen times free cash flow of the Nordic segment. Furthermore, seventy-five percent of Crayon's total capital expenditure consists of capitalized development costs relating to new software tools. These are discretionary expenditures, and it is reasonable to assume that the maintenance cost to update existing IP is less than the total sixty-two million NOK. Adjusting for these investments, Crayon could be valued as low as ten times the free cash flow of the Nordic segment. Finally, it is worth mentioning that eighty-five percent of Crayon's cost base across all geographies is employee payroll. If Crayon ever did decide to exit a particular market, their cost base is flexible enough to allow them to do so. Next, we can also examine Crayon by business segment to assess its valuation relative to global peers. Rhipe Limited is the largest cloud-based software distributor in the APAC region and is the only truly comparable public company to Crayon. Rhipe is the only other distributor of scale without a physical hardware logistics segment, and it is solely focused on the software indirect sales model.

NOK (Millions)	2015	2016	2017	2018
SW Indirect Licensing Revenue				
Crayon	1,247.7	1,441.2	1,774.7	2,422.0
Rhipe Limited	758.8	801.8	982.4	1,258.8
SW Indirect Gross profit				
Crayon	94.2	110.5	133.4	166.7
Rhipe Limited	105.8	126.5	152.8	192.0
SW Indirect Licensing Margin				
Crayon	*7.5%*	*7.7%*	*7.5%*	*6.9%*
Rhipe Limited	*13.9%*	*15.8%*	*15.6%*	*15.3%*
CSP Seats ('000)				
Crayon			624.0	1,285.0
Rhipe Limited			230.0	430.0
Crayon Market Cap @ 18 NOK/Share				***1,357.2***
Rhipe Market Cap @ 2.25 AUD/Share				***1,826.5***
Rhipe Market Cap/SW Indirect GP				***9.5x***
x Crayon SW Indirect GP				***166.7***
= Crayon SW Indirect Value				***1,585.9***
Implied Crayon Equity Value (ex- SW Indirect)				***-228.7***

The table above compares the last four years of growth between Crayon and Rhipe's software indirect segment. Recall that the software indirect model involves distributing software through tier-two channel partners who own the customer relationship. Thus, licensing revenue is the gross value of licenses sold through tier-two partners, and the licensing gross profit is a mix of cost price uplift charged to the channel partner combined with incentive payments received from the vendor. In addition, note that tier-one distributors like Crayon and Rhipe have full discretion on the mark-up they are allowed to charge on the cost of software licenses. We observe that the gross value of licenses sold by Crayon's software indirect segment is roughly double that of Rhipe with a three-year CAGR of twenty-five percent per annum compared to eighteen percent per annum for Rhipe. Note, however, that Crayon's total gross profit is fifteen percent less than Rhipe's on account of a large differential in licensing margin. This differential is a product of high front-end margin charged by Rhipe to their channel partners, which is arguably a source of latent pricing power for Crayon. Rhipe Limited is listed on the Australian Securities Exchange, and at a share price of 2.25

AUD it is valued at a market cap of 1,826.5 million NOK, or nine and a half times indirect licensing gross profit. Applying the same multiple to the gross profit generated by Crayon's software indirect segment, we can infer that the implied equity value of Crayon's remaining business segments is -228.7 million NOK. Additionally, Crayon's indirect licensing segment was eleven percent of total gross profit and seventeen percent of total EBITDA in 2018. Therefore, if we assume that Rhipe is fairly valued, then we receive over eighty percent of Crayon's business for free. Finally, we can estimate a range of values for Crayon by projecting the expected growth and margin profile of Crayon's four geographic segments. The tables below highlight a base case and bull case scenario for Crayon that equate to 35.9 NOK per share and 64.3 NOK per share respectively, or roughly double to three and a half times the partnership's cost basis.

NOK (Millions) - Base Case	2016	2017	2018	2019e	2020e	2021e
Gross profit						
Nordics	757.7	760.6	902.0	1,037.3	1,192.8	1,371.8
Growth markets	182.8	204.0	261.5	313.8	376.5	451.8
Start-ups	70.6	105.0	144.5	195.0	263.3	355.5
USA	100.7	133.0	155.0	193.8	242.2	302.7
Adjusted EBITDA						
Nordics	204.4	181.0	266.0	311.2	357.9	411.5
Margin %	*27%*	*24%*	*29%*	*30%*	*30%*	*30%*
Growth markets	1.3	4.6	14.7	25.1	33.9	49.7
Margin %	*1%*	*2%*	*6%*	*8%*	*9%*	*11%*
Start-ups	-33.0	-13.9	-7.4	-3.9	5.3	17.8
Margin %	*-47%*	*-13%*	*-5%*	*-2%*	*2%*	*5%*
USA	-50.1	-13.2	-21.3	-19.4	-12.1	-
Margin %	*-50%*	*-10%*	*-14%*	*-10%*	*-5%*	*0%*
HQ	-17.4	-27.9	-63.9	-80.0	-100.0	-125.0
Adjusted EBITDA	***105.2***	***130.6***	***188.1***	***233.0***	***284.9***	***354.0***
- CAPEX				***-60.0***	***-65.0***	***-70.0***
- Interest				***-28.0***	***-20.3***	***-9.7***
- TAX				***-34.8***	***-47.9***	***-65.8***
= FCF				***110.2***	***151.7***	***208.5***
Net Debt			***400.0***	***289.8***	***138.1***	***-70.4***
FCF Value @ 16x						***3,336.0***
2021 Equity Value						***3,406.4***
NPV @ 8% discount rate						***2,704.1***
NPV/Share						***35.9***
Upside to IV						***99%***

NOK (Millions) - Bull Case	2016	2017	2018	2019e	2020e	2021e
Gross profit						
Nordics	757.7	760.6	902.0	1,064.3	1,255.9	1,482.0
Growth markets	182.8	204.0	261.5	326.8	408.5	510.7
Start-ups	70.6	105.0	144.5	209.5	303.8	440.5
USA	100.7	133.0	155.0	201.5	262.0	340.5
Adjusted EBITDA						
Nordics	204.4	181.0	266.0	319.3	389.3	474.2
Margin %	*27%*	*24%*	*29%*	*30%*	*31%*	*32%*
Growth markets	1.3	4.6	14.7	26.1	40.9	61.3
Margin %	*1%*	*2%*	*6%*	*8%*	*10%*	*12%*
Start-ups	-33.0	-13.9	-7.4	-4.2	9.1	30.8
Margin %	*-47%*	*-13%*	*-5%*	*-2%*	*3%*	*7%*
USA	-50.1	-13.2	-21.3	-20.2	-	6.8
Margin %	*-50%*	*-10%*	*-14%*	*-10%*	*0%*	*2%*
HQ	-17.4	-27.9	-63.9	-85.0	-120.0	-140.0
Adjusted EBITDA	***105.2***	***130.6***	***188.1***	***236.1***	***319.3***	***433.1***
- CAPEX				***-60.0***	***-65.0***	***-70.0***
- Interest				***-28.0***	***-20.1***	***-7.7***
- TAX				***-35.5***	***-56.2***	***-85.3***
= FCF				***112.6***	***178.0***	***270.2***
Net Debt			***400.0***	***287.4***	***109.5***	***-160.7***
FCF Value @ 22x						***5,943.7***
2021 Equity Value						***6,104.4***
NPV @ 8% discount rate						***4,845.9***
NPV/Share						***64.3***
Upside to IV						***257%***

Conclusion

I am confident that our partnership owns a collection of businesses that, relative to the price paid, will produce a substantial amount of free cash flow over the coming years. I am always happy to speak with you at length about any of our companies, and I remain grateful for your trust and partnership. I look forward to updating you all in the New Year.

Appendix A: Realized Investments

Ticker	Company	IRR*	MSCI ACWI	Delta
-	-	94.69%	17.29%	77.39%
-	-	3.19%	13.84%	-10.65%
-	-	46.07%	14.10%	31.96%
-	-	37.70%	17.21%	20.49%
-	-	3.29%	8.86%	-5.57%
-	-	28.08%	14.16%	13.92%
-	-	10.00%	2.09%	7.91%
-	-	38.91%	21.19%	17.72%
-	-	20.01%	14.81%	5.20%
-	-	27.84%	17.45%	10.40%
-	-	29.94%	14.95%	14.99%
-	-	18.71%	16.74%	1.97%
-	-	37.17%	15.28%	21.89%
-	-	42.56%	-2.85%	45.41%
-	-	93.23%	3.95%	89.28%
	Average	35.43%	12.60%	22.82%

**Table above reflects the IRR of realized portfolio investments (unannualized if < 1 Year), and the equivalent IRR that would have been achieved had each invested dollar been allocated to MSCI ACWI.*

***Full Disclosure Available Upon Request*

Appendix B: Unrealized Investments

Ticker	Company	IRR*	MSCI ACWI	Delta
-	-	23.70%	5.89%	17.81%
-	-	74.14%	0.84%	73.30%
-	-	-20.72%	0.24%	-20.96%
-	-	-0.69%	1.75%	-2.44%
-	-	36.34%		
-	-	-7.21%		
-	-	17.66%	6.26%	11.40%
-	-	56.37%	7.93%	48.44%
-	-	-24.98%	5.13%	-30.11%
-	-	-19.59%	1.40%	-20.99%
-	-	-43.44%	0.49%	-43.93%

**Table above reflects the IRR of unrealized portfolio investments (unannualized if < 1 Year), and the equivalent IRR that would have been achieved to date had each invested dollar been allocated to MSCI ACWI.*

***Full Disclosure Available Upon Request*

Disclosures

Investment in Emeth Value Capital are subject to risk, including the risk of permanent loss. Emeth Value Capital's strategy may experience greater volatility and drawdowns than market indexes. An investment in Emeth Value Capital is not intended to be a complete investment program and is not intended for short term investment. Before investing, potential clients should carefully evaluate their financial situation and their ability to tolerate volatility. Emeth Value Capital, LLC believes the figures, calculations and statistics included in this letter to be correct but provides no warranty against errors in calculation or transcription. Emeth Value Capital, LLC is a Registered Investment Advisor. This communication does not constitute a recommendation to buy, sell, or hold any investment securities.

Performance Notes

Net performance figures are for a typical client under the standard fee arrangement. Returns for clients' capital accounts may vary depending on individual fee arrangements. Net performance figures for Emeth Value Capital, LLC are reported net of all trading expenses, management fees, and performance incentive fees. Reported returns prior to January 1st, 2021 reflect the personal account performance of Emeth Value Capital, LLC's sole managing member, and therefore represent related performance. All performance figures are unaudited and are subject to change.

Contact

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