

# Atai Capital Management



Q1-2026 Letter

Atai Capital experienced a gain of 6.6% in the first quarter net of all fees. This compares to a 4.3% decline for the S&P 500, a 0.9% gain for the Russell 2000, and a 1.5% gain for the Russell Microcap for the first quarter of 2026.

	Atai Capital	Russell Micro	Russell 2000	S&P 500
<b>Q1-2026</b>	6.6%	1.5%	0.9%	-4.3%
<b>YTD</b>	6.6%	1.5%	0.9%	-4.3%
<b>Since Inception</b>	86.4%	55.1%	48.4%	78.0%
<b>Annualized</b>	21.2%	14.5%	12.9%	19.5%

### Portfolio Commentary:

The portfolio's top contributor for the quarter was Haivision, which we subsequently trimmed as it approached our estimate of fair value – we still own Haivision, but in much smaller size. The other notable contributor was Kitwave Group. As mentioned in our last letter, Kitwave was acquired during the quarter and is no longer in the portfolio. Notable detractors for the quarter included our largest position, which we are still choosing to keep under wraps publicly at this time, and [Redacted for clients only]. During the quarter, we made our initial purchases of [Redacted for clients only], added slightly to AstroNova and a smaller undisclosed position, and sold out of two small tracker positions.

### BK Technologies Corp. (“BKT”) Update:

Since our [initial write-up](#) on BKT, things have been progressing well and in line with our expectations. They hosted their first investor day under John Suzuki's leadership in early April, during which they provided further details on their “Vision 2030” framework and financial targets. The company now expects to hit \$170M in revenue at 60% gross margins and 35% EBITDA margins (~\$60M), while generating \$55M in free cash flow. For reference, as of the most recent quarter, the company had ~52% gross margins and ~19% EBITDA margins, while guiding to at least \$90M in revenue for the full year. Put differently, the company expects to compound revenues at 15%+ and nearly 4x EPS from 2025 (\$3.44/sh → \$13.00/sh), and they expect to do all this *organically*. The company anticipates this growth to come from end-market growth of 10% a year through 2030, the launch of the BKR9500 radio in 2027, and continued market share gains from larger peers who are less focused on BKT's target market of tier 3 state & local public safety agencies – 4.5% share vs 3.6% today. Under normal circumstances, we'd be very skeptical of such high targets, but these come from a management team with a proven history of under-promising and over-delivering. I don't believe that John and team would put out such targets if they didn't believe they were achievable and possibly even a low hurdle for the company.

From a capital allocation standpoint, they are planning to direct future cash flows toward internal investments first (radios, software, and technology), M&A afterward, and returns to shareholders

last. BKTl has been and will continue to generate substantial cash in excess of what their internal investments require. What they do with this excess cash is extremely important, and M&A discussions can be especially worrisome (AstroNova is a perfect example). However, the company has signaled a very stringent focus on after-tax ROIC, which is refreshing in today's growth-at-any-cost world. Furthermore, with John leading the company, I'm even less worried about this, and the way he spoke about M&A during the investor day helped ease my concerns.

*"And so when I look at acquisitions, I'm really looking at opportunities that can open up new markets for us or to accelerate the adoption rate of the 9000, 9500. That's my first and foremost priority. If there's an opportunity to do that, and I feel like it brings accretive value in these areas, then we will close the deal. But I will say, if I don't close a single deal in 5 years, I'm not going to lose any sleep, right? And I'll be very disappointed at me and maybe the Board will release me. **But we shouldn't be doing deals to just do deals.***

*And so when you ask me about cadence, that's not on my mind. I wish I could do 5 deals today that drove the adoption rate or open new markets, I would do 5 deals today if I had that on my plate. So we're going to be very opportunistic. We're going to be very thoughtful in terms of how we spend that money. **We do think that our core market has a huge runway and that's where we want to reinforce our investments because we think that provides the highest rate of return.***"

While words normally don't carry much weight for us, John's track record as CEO supports his commentary. The company has certainly had the balance sheet required for substantial M&A for a while now and is sitting on roughly \$30M of net cash today, but still has resisted rushing into any large or forced deals. Instead, they've recently begun repurchasing their own shares in the open market. In our view, this not only signals confidence in their organic growth plans but also demonstrates a willingness to return capital to shareholders and a commitment to attractive ROICs rather than pursuing M&A just for its own sake.

We believe 18x-20x+ UFCF is more than fair for a high-quality hardware provider to public safety customers. This business is growing in the double digits organically, will eventually have 60%+ gross margins, ROICs are in the mid-20s, and it also seems likely they'll still be growing in the double digits after 2030. We don't often value our investments at this high of a multiple in our "base case," but we believe BKTl is worthy of it, and applying 20x to their 2030 targets gets me to a share price of \$250 before cash generation, vs the mid-\$80s today. It is also worth noting again that, in BKTl's Vision 2030 plans, they expect to have 4.5% market share, which is still well below their long-term stated target of 10%, leaving plenty of room for potential outperformance and a very long growth runway. Furthermore, even if BKTl were to fall well short of their 2030 vision, the investment is currently offering an attractive margin of safety, trading at ~18x UFCF this year's guide, and, given John's track record thus far, we anticipate that a beat-and-raise is likely.

## **AstroNova Inc. (“ALOT”) Update:**

As mentioned in the email I sent with this letter, this update was originally quite lengthy. However, I have chosen not to include it because it’s no longer relevant, as I am happy to report that AstroNova was acquired last week for \$29/share.

We have owned AstroNova in various sizes since the firm’s inception three and a half years ago, and, as many of you know, what started off as a straightforward investment with a clear path to value realization became highly distorted and frustrating after the company acquired MTEX in mid-2024. That acquisition ultimately proved highly unprofitable and led to a proxy fight at the company. Luckily, the proxy battle was won, and the CEO responsible for the acquisition was removed around this time last year. But because of that acquisition, the company was left saddled with debt, and we subsequently trimmed our position over time. However, as the new management team continued to prove themselves, started to pay down debt, unwound working capital, lowered capital expenditures to essentially nothing, increased margins, and the aerospace business started to “take off,” pun intended, we added to our position earlier this year before the company announced strategic alternatives. When the announcement was made, our original expectation was a takeout price in the \$18-\$24 range, which eventually led us to slightly trimming our position before the takeout, as the share price was very close to the low end of our anticipated range. While we recognized that the company’s value could have been in the high 20s, we were also of the view that finding a buyer for both segments at that price would be difficult. However, AstroNova did just that, and we benefited significantly.

Furthermore, I largely attribute this positive outcome to a friend of mine and activist, Samir Patel, of Askeladden Capital. His proxy contest, which won the endorsement of both ISS and Glass Lewis, led to positive business, management, and governance changes that might not have happened otherwise. Secondly, I believe the company’s CFO Tom Deboyle (appointed in 2024 after MTEX was already acquired) also deserves praise/credit here – while we only spoke to Tom a few times over our ownership and met him in person once (SouthWest Ideas conference in 2024) I still stand by my initial positive assessment of Tom and believe he was very instrumental in AstroNova’s eventual turn around and sale.

All things considered, we are very happy with the outcome here, and while we believe this should have happened or would have happened much sooner than it did had the company never acquired MTEX, our IRRs were still more than satisfactory.

## **Conclusion:**

As you might have noticed, I have chosen not to bore you with a discussion of the war in Iran or AI capex. The reason for this is that I have nothing new or differentiated to add to those discussions that hundreds of other pundits and fund managers haven’t already commented on. What I will say is that I am certainly aware of both and what the potential implications could be for our portfolio companies.

Following the acquisition of AstroNova, our cash position has grown significantly, and despite diligently looking for new ideas, I have been unable to keep up with the pace of turnover in the portfolio this year. Speaking plainly, I am not comfortable with the size of our cash balance right now, but rest assured, I am making every effort to find great investment opportunities to allocate it to. But to this point, I also want to make it clear that I will continue, as I always have, to favor lost opportunity over that of lost capital and refuse to dilute our portfolio with mediocre ideas. Long-term partners will know that we have always had a cash position since our inception, except during the “liberation day” period, when we were essentially fully invested. I don’t view my decision to keep cash as speculative but rather a byproduct of my investment strategy – when I find ideas, I’ll allocate capital, and when I don’t, I won’t. The silver lining, however, is that we are up significantly for the year, with several of our names working out well. Furthermore, our remaining investments are all rather cheap at the time of writing, so I don’t anticipate more turnover in the near future.

As a reminder, we are open to new clients, and if you know someone who might be a good fit, please feel free to pass along my contact information. For those interested, I have updated our pitch deck through year-end, and a copy is available [here](#) and on our [website](#).

As always, I am humbled by and grateful for the opportunity to invest your capital alongside my own, and I will continue to make every effort to compound that capital at attractive rates.

Cordially,

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*“Opportunities come infrequently. When it rains gold, put out the bucket, not the thimble.”  
– Warren Buffett*

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*Any return amounts that are reported within this letter are estimated by Atai Capital on an unaudited basis and are subject to revision. Atai Capital’s returns are calculated net of a 2.00% annual management fee and reflect a client’s performance who would have joined the firm on its inception date (01/03/2023). Actual Individual investor returns will vary based on the timing of their initial investment, the impacts of additions and withdrawals from their account, and their individually negotiated fee structure. Atai Capital believes showing returns net of a 2.00% management fee better reflects actual performance as of 6/22/2026 since no account that Atai Capital currently manages is charged a fee more than the stated 2.00% management fee. Past performance is no guarantee of future results.*

*All statements, opinions, and analyses expressed in this letter regarding AstroNova are solely the author’s own and are based exclusively on independent research of publicly available information.*

*Index returns referenced in this letter include the S&P500, Russell Microcap, and Russell 2000. Atai Capital’s returns are likely to differ from those of any referenced index. These returns are calculated from the respective provider’s websites, spglobal.com for the S&P500 and ftserussell.com for the Russell Microcap and Russell 2000, and include the reinvestment of all dividends in both cases.*