

October 10, 2025

Dear Investors,

The Headwaters Capital Management, LLC (“Headwaters Capital,” “Headwaters,” or the “Firm”) portfolio declined -2.7% (-2.9% net) during Q3 2025 compared to a +5.3% gain for the Russell Mid Cap Index over the same period. A brief discussion of the performance and trading activity during the quarter is presented below.

Headwaters Capital Performance:

| | Q3 25 | YTD 2025 | 2021 | 2022 | 2023 | 2024 | Cumulative Since Inception (1/4/2021) |
|----------------------------|-------|----------|-------|--------|-------|-------|---|
| Headwaters Capital (Gross) | -2.7% | -4.9% | 17.9% | -22.7% | 34.8% | 14.0% | 33.1% |
| Headwaters Capital (Net) | -2.9% | -5.4% | 17.1% | -23.4% | 33.0% | 13.1% | 27.6% |
| Russell Mid Cap Index | 5.3% | 10.4% | 22.6% | -17.3% | 17.2% | 15.3% | 51.3% |

**Performance for the Headwaters Capital portfolio has been calculated by Liccar Fund Services from 1/4/2021-12/31/2023.*

***Performance for the Headwaters Capital portfolio has been calculated by Longs Peak Advisory Services from 1/1/2024-9/30/2025.*

****Performance presented is that of a representative account invested in the strategy. Individual SMA performance may differ from the results presented above.*

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Q3 '25 Performance Discussion

“Are we in a phase where investors as a whole are overexcited about AI? My opinion is yes. Is AI the most important thing to happen in a very long time? My opinion is also yes.” – Sam Altman, CEO of OpenAI

In Q2 23 I wrote that it was a quarter when everything in the portfolio worked. In Q3 2025, it was the opposite. While the headline +5.3% return for the index implies broad based strength during Q3, this obfuscates how concentrated returns were in AI. The Headwaters portfolio had the winners and losers that naturally occur every quarter, but the broader theme was a market that remains uninterested in anything other than AI, crypto or meme stocks. The wild part of Q3 performance was that the majority of the portfolio’s underperformance occurred in the month of September, when the bifurcation in the market began reaching extremes on the back of the Oracle-OpenAI announcement (more below). At the beginning of September, AI related stocks represented an ~13% weight in the Russell Mid Cap Index and these stocks collectively contributed 1.1% of performance for the month. Said another way, the average return for these stocks in the month of September was +10% and, given that the index as a whole only returned +0.7%, these stocks were responsible for 148% of the gains for the month. If you include crypto and meme stocks, which also performed well in September, this basket accounted for 175% of the gains in the market in September. The other 85% of the market that was not AI, crypto or meme stocks, saw stock prices decline and, collectively, contributed to a -0.5% decline for the index. The market today is AI or bust. The Headwaters portfolio performed like the rest of the index that was not AI. 20 of the 25 stocks in the portfolio underperformed the Russell Mid Cap Index in September. Seven stocks in the portfolio declined more than 10%. There was no notable news from these 7 companies, yet they underperformed significantly as investors rotated out of anything that wasn’t AI into anything that touches AI or data centers (see discussion on DRVN below).

Despite this handwringing, the market appears to be acting rationally. The current capital spending related to AI infrastructure, specifically data centers and utilities, is some of the most staggering concentration of economic investment seen since the telecom buildout in the late 1990’s and the railroad buildout in in the 19th century.

¹ The composite performance (“portfolio” or “strategy”) is calculated using the return of a representative portfolio invested in accordance with Headwaters Capital’s fully discretionary accounts under management opened and funded prior to January 1, 2021. The performance data was calculated on a total return basis, including reinvestments of dividends and interest, accrued income, and realized and unrealized gains or losses. The returns also reflect a deduction of advisory fees, commissions charged on transactions, and fees for related services. For further information about the total portfolio’s performance, please contact Headwaters at the email address listed.

Earnings growth for anything related to these parts of the economy has been astounding. Multiples for many of these businesses are stretched, but not extreme. Outside of AI spend, the economy appears to be at or near a recession and economic activity continues to decelerate. Jobs growth is stagnant, implying broad economic activity is weak and this softness is reinforced by numerous other economic data points. Investors are rationally chasing the only pocket of growth that exists today, AI. But as investors have focused on companies that are AI beneficiaries, the rest of the market has been completely left behind and multiples for many of these businesses have reached trough levels on both an absolute and relative basis. **Given the current concentration of stock market value in AI related companies (both in large caps and increasingly in small and mid caps), the only question that matters for investors today is how durable is this AI infrastructure investment cycle?**

AI Economic Return Framework

To be a successful equity investor, I believe you must have an optimistic outlook for the future. The entire Headwaters Capital strategy is rooted in this optimism and a desire to invest in innovative companies that can consistently compound capital and deliver attractive rates of return for investors. At the same time, investors must be realistic and use a framework that considers the economic realities of businesses and appropriate multiples for these companies (maybe this is my credit training lingering around).

Unlike the internet bubble, which was characterized by extreme valuations for companies with little or no revenue, the current environment increasingly resembles a CAPEX driven earnings bubble. Current AI investment has all the hallmarks of classic capital cycles where over-investment leads to excess capacity and poor returns on capital. AI headlines have reached a point that are starting to defy logic. The catalyst for the September AI trade was Oracle's [announcement](#) of a 5-year contract with OpenAI for \$300B (implying annual contract value of \$60B) to host the company's LLMs at Oracle data centers beginning in 2027. While the market has grown desensitized to these large headline numbers, it's useful to step back and put these figures into context from the perspective of both the magnitude of spending and return on investment. It's easiest to start with the amount of investment that five companies are collectively spending on AI. The table below outlines CAPEX spending by the five hyperscalers and compares it with the other 495 companies in the S&P 500. In 2026, these five hyperscaler companies are expected to spend \$405B of CAPEX, nearly all of this related to AI infrastructure build.

| | AI CAPEX | | | | | | | | 2019-2026 | |
|---|----------|------|------|------|------|-------|-------|-------|-----------|------|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | CAGR | CAGR |
| Hyperscaler CAPEX - MSFT, AMZN, GOOGL, META, ORCL (a) | 70 | 97 | 130 | 158 | 154 | 239 | 350 | 405 | 28% | 38% |
| Y/Y Growth | | 38% | 34% | 21% | -2% | 55% | 47% | 16% | | |
| S&P 500 CAPEX excl. Hyperscalers - Other 495 (b) | 659 | 599 | 692 | 759 | 828 | 854 | 868 | 885 | 4% | 2% |
| Y/Y Growth | | -9% | 15% | 10% | 9% | 3% | 2% | 2% | | |
| Total S&P 500 CAPEX © | 729 | 696 | 822 | 917 | 982 | 1,093 | 1,218 | 1,290 | 8% | 10% |
| Y/Y Growth | | -5% | 18% | 12% | 7% | 11% | 11% | 6% | | |
| Hyperscaler CAPEX % of S&P 500 CAPEX (a/c) | 10% | 14% | 16% | 17% | 16% | 22% | 29% | 31% | | |
| Hyperscaler CAPEX % of 2019 Other 495 CAPEX (a/b) | 11% | 15% | 20% | 24% | 23% | 36% | 53% | 61% | | |
| Hyperscaler CAPEX 2024-2026 Cumulative of Total Market CAPEX Growth | | | | | | | | | | 82% |
| Hyperscaler CAPEX Multiple of 2019 Baseline | | 1.4 | 1.8 | 2.2 | 2.2 | 3.4 | 5.0 | 5.8 | | |
| S&P 500 CAPEX Multiple of 2019 Baseline | | 0.9 | 1.1 | 1.2 | 1.3 | 1.3 | 1.3 | 1.3 | | |

To put the \$405B of annual CAPEX spend in perspective, let's compare this to prior spending from these tech bellwethers and the rest of the S&P 500.

- \$405B of projected 2026 CAPEX is nearly 6x what these same companies were spending in 2019, highlighting the increase in capital intensity of these businesses.
- \$405B of CAPEX from only five companies will account for nearly 1/3 of total S&P 500 spending in 2026. All of this money is directed at the same thing, data centers.
- \$405B of CAPEX equates to 61% of the CAPEX that all 500 SPX companies spent collectively in 2019.

- While AI CAPEX is forecast to grow at a +38% CAGR from 2024-2026, CAPEX for the other 495 companies is only projected to grow at a +2% CAGR. Further evidence of the concentration of economic activity in AI.

Maybe all of this investment is rational given expectations that AI will be the most transformative technology the world has ever seen. However, if history is any guide, this concentration of CAPEX will inevitably lead to over-investment.

In terms of the economics around this investment, details have emerged from the Oracle-OpenAI announcement that can help investors begin to untangle the economics of these contracts. It's easiest to unpack this from the perspective of each of the players involved.

OpenAI

- Committed to spending \$60B annually with Oracle to host the Company's LLMs. This annual expense represents the Company's cost of goods sold for running LLMs.
- OpenAI is on track to generate [\\$13B of revenue](#) in 2025 (Source: Reuters and the Information).
- So just to cover the cost of operating their LLMs on this single contract, OpenAI needs revenue to grow 4.6x in 2 years, or a +115% CAGR over the next 2 years.
- This is a single contract for hosting services. OpenAI has numerous other hosting contracts, implying that the company needs revenue to significantly exceed \$60B just to cover the company's total cost of goods sold.
- This analysis only assumes reaching a break-even level of gross profit, clearly an unsustainably low level of profitability. It does not factor in R&D and personnel costs, which have ballooned this year as competition for talent has driven recruiting packages for individuals exceeding \$100mm (another sign of frothy expectations in the AI market).
- The Information has reported that OpenAI expects to reach [70% gross margins](#) at scale. **So using the \$60B COGS figure the OpenAI just announced with Oracle and assuming a 70% gross margin this implies OpenAI expects to generate \$200B of revenue to support this contract.** To put this in perspective, Google Search revenue in 2024 was \$198B. So OpenAI expects to reach a size equivalent to Google Search in 2 years.
 - o There are numerous other well-funded companies who are spending aggressively to build competing LLMs. It is still unclear that LLM's are a winner take all market like search, as there is increasing evidence that these models will be commoditized. Will the market need all of this capacity? Will the companies ever see an appropriate return on capital?
- OpenAI isn't close to generating free cash flow today, so how is OpenAI funding this spend? After announcing the massive contract with Oracle, OpenAI announced a [\\$100B investment from NVIDIA](#). Given that NVIDIA GPUs are the largest upfront cost associated with building data centers, NVIDIA is effectively funding customer purchases of their chips. Another sign of frothy markets.

Oracle

- In 2024, Oracle was ranked as the 87th largest company based on the Fortune 500 list.
- The \$60B annual contract value that Oracle signed with OpenAI is more than double the annual revenue Oracle generated in 2024 (\$55B). So the 87th largest company in the US announced a contract with a single customer that more than doubled their annual revenue. Truly astounding.
- CAPEX required to build the 4.5GW of data center capacity is [estimated](#) to be ~\$100B over multipole years. ORCL is projected to spend \$35B in FY '26 (5/31) as part of this build out.
- ORCL only generated \$21B of operating cash flow in FY '25 is projected to generate \$25B of operating cash flow in FY '26, implying a need for significant outside capital (debt, equity or partnerships) to fund the expansion.
- Oracle is already highly levered at 4x EBITDA today, implying leverage will increase significantly over the next couple of years.

- Operating costs (primarily electricity and cooling) are unknown, so backing into economics of the contract are difficult. The fact that a company can book a contract that more than doubles annual revenue and doesn't provide any financial details around the contract is concerning itself.

In summary: OpenAI booked a single contract that assumes the Company can reach the size of Google Search in the next few years and is using funding from its primary supplier, NVIDIA, to fund this growth. The company has numerous other contracts that imply a forecast to reach revenues significantly exceeding \$200B. The funding from NVIDIA is used by OpenAI to purchase compute capacity from Oracle, who purchases NVIDIA chips to build the compute capacity. The AI circle of life today.

If you think the Oracle/OpenAI example is wild, remember that the major players are collectively spending \$370B in 2026, or 4x the amount of the OpenAI example in a single year. Collective spend from these 5 companies from 2024-2026 is \$1T, or 10x the OpenAI example. Note these figures don't include CAPEX spend by neo-clouds (CoreWeave, Nebius) or sovereigns, which further inflates the amount of CAPEX focused on AI.

After writing the above, OpenAI announced a new agreement with AMD (NVDA competitor) to purchase over \$100B worth of chips to support 6GW of data center build out. This implies a contract even bigger than the ORCL example. As part of this announcement, OpenAI also agreed to purchase equity in AMD via warrants. OpenAI does not expect to generate free cash flow prior to 2030, so how will they fund the purchase of equity in AMD? Is the equity from NVDA being used to fund a competitor? Like I said at the beginning, investors are numb to these numbers, but I do think it's worth putting them into perspective.

I have no idea what will cause this infrastructure arms race to pause, but I do know it will come to an end. When it does, \$400B of annual CAPEX to build data centers will normalize at a significantly lower level. If you're a company selling into this end market and CAPEX normalizes 50% lower (or worse), your current level of earnings looks massively inflated. Whereas the internet bubble was characterized by a valuation bubble, this bubble appears to be more of an earnings bubble inflated by elevated CAPEX spend. Admittedly I didn't think AI spend would grow in 2025 and I certainly didn't think it would grow again in 2026, but I can't make sense of the economics around this level of spending. Memories of the DeepSeek scare in early 2025 that caused all of these AI stocks to decline by 20-30% in a single day have been completely forgotten. I think the risk/reward looks significantly more attractive in the forgotten parts of the market where we can find good businesses trading at very attractive prices.

Q3 '25 Portfolio Review

Top Contributor: Medpace ("MEDP") +64%. Medpace had a phenomenal quarter highlighted by strong bookings in a difficult biotech funding environment. The strong bookings growth was enhanced by aggressive share repurchases as the company has taken advantage of stock price weakness to repurchase 10% of shares outstanding over the last year. I wrote about MEDP in detail as part of the Q3 '24 [letter](#) when the stock was the largest detractor. The end markets for MEDP are inherently cyclical due to biotech funding, but the company's disciplined capital allocation and steady market share gains make this a core long-term holding in the HCM portfolio.

Top Detractor: Inspire Medical ("INSP") -43%. Inspire has been a frustrating stock all year. The company has mismanaged the roll out of their next generation sleep apnea device in every way imaginable. Insurance coverage, inventory management, MD training and guidance to the street have all been issues. Compounding these self-inflicted wounds have been investor fears over GLP-1 weight loss drugs causing reduced demand for sleep apnea treatments and the threat of competition entering the market in 2H 2025. It has been impossible for investors to discern which factors are the root cause of decelerating revenue growth (likely a combo of each of these factors). Despite all of these issues, revenue is still growing in the +8-10% range in 2H 2025, and this growth is negatively impacted by the burn down of old inventory. I think revenue growth approximating +10% is a reasonable assumption for 2026. With the stock today trading at only 2x 2025 revenue, 33% of the company's market cap in

cash and the company generating free cash flow, there doesn't appear to be much downside from here. M&A multiples range from 4-7x revenue depending on your revenue growth assumptions and the Inspire device is a quality med tech asset that is well regarded by patients in a massive global market.

Trading Activity

Buy: Driven Brands ("DRVN"): See below. A starter position in another holding was also added during the quarter. I will detail this holding at a later time.

Sell: Bentley Systems ("BSY"): Bentley Systems was sold during the quarter as the stock appreciated meaningfully on M&A rumors. When the stock reached a price/sales multiple of 13x, the rumored M&A premium was effectively captured in the stock price and the position was sold.

Before I get into the thesis for DRVN, I want to use the stock as an example for behavior in the market over the last month. DRVN was originally purchased in July for an average price of ~\$17. At the time it was cheap relative to peers and the company's own historical valuation. DRVN announced results in August and the stock actually went up on the strong results. Thesis seemingly on track out of the gates. However, since the Oracle-OpenAI announcement on 9/9/25, the stock is down -25% on no news and has declined on 21 of 23 trading days. Since the Oracle announcement, I don't believe the need for oil changes or the need for maintenance and repair of cars has materially changed and I certainly don't believe the value of the company has been impaired by 25% since this announcement. But it's the perfect example of investors fleeing anything that doesn't touch AI and using these funds to invest in AI related companies. So yes, the index is up slightly since the Oracle announcement, but it masks the bifurcation in performance between AI winners and the rest of the economy.

Driven Brands: Maintenance and Repair of Portfolio Driving a Multiple Re-Rating

Summary Thesis

- 1) Recurring revenue characteristics due to non-discretionary nature of automotive maintenance and repair services.
- 2) Portfolio transformation via sale of capital-intensive US car wash business improves free cash flow and reduces leverage.
- 3) High growth Take 5 oil change drives accelerating consolidated revenue growth due to mix shift.
- 4) Multiple expansion in-line with peers due to portfolio simplification, accelerating top-line growth and improved leverage profile.

Company Overview

Driven Brands ("DRVN") is the largest automotive services company in North America, operating a portfolio of well-known brands across maintenance, repair, paint, collision and car wash. Key franchises include Take 5 Oil Change, Meineke Car Care, Maaco, CARSTAR, and AutoGlassNow. The company's franchise and company-operated model provides recurring revenue from essential automotive services and strong brand recognition across thousands of locations. The collection of assets was assembled by the private equity firm, Roark Capital, which specializes in consumer and franchise businesses.

It's easiest to think of Driven as two portfolios: a collection of mature franchise brands and Take 5 Oil Change, the growth portfolio. The franchise portfolio is a collection of brands operating under a franchise model with Driven as the franchisor. Key brands include Meineke (maintenance and repair), Maaco (paint and collision repair) and CARSTAR (repair) along with a number of similar smaller franchises. The theme underlying each of these

businesses is that these are generally non-discretionary maintenance and repair services that create a steady stream of high margin franchise revenues for Driven. While these markets are mature with little to no growth, the portfolio generates a predictable stream of cash flow that can be leveraged to invest in assets with higher growth potential. Over time, Driven has used this cash flow to invest in other auto services assets with higher growth. Previous investments included car washes (US and international), an auto glass repair business and Take 5 Oil Change, which is Driven's primary growth asset today. As is typical in the private equity model, Driven incurred significant leverage to fund this growth, which precipitated the 2021 IPO when the Company raised \$760mm of equity and reduced leverage from 9.5x to 5x. Roark also sold some shares in 2021 and 2022 at prices around \$30, but still retains a 61% ownership interest in the Company.

Take 5 – Growth Asset

Take 5 Oil Change is a fast, full-service oil change brand that specializes in quick and convenient oil changes without appointments. Services are limited to oil changes and ancillary services that can be performed quickly as part of an oil change (filters, wiper blades, etc). Take 5's value proposition to consumers is convenience, speed and low-cost relative to dealerships and independent repair shops. Unit economics for Take 5 are strong with 28% cash on cash returns for franchisees. Driven has a mix of company owned locations and franchise locations. Company owned locations represent an attractive capital deployment option, but the franchise model enables faster growth given historical capital constraints at the parent company level.

Over time, quick lube oil change locations have steadily taken market share in the do-it-for-me oil change marketplace as the value proposition has resonated with consumers. Take 5 competes with Valvoline, Grease Monkey and Jiffy Lube. Take 5 seeks to differentiate based on customer service, but the reality is that this market is somewhat commoditized and real estate location and scale in local markets (advertising advantage) are key to gaining share in local markets. There is room for the quick lube category as a whole to continue taking share from dealerships and independents. The company currently has 1,300 stores operating through both company owned and franchise models. Assuming a cadence of 150 new store openings/year combined with 3% same store sales growth at mature stores (mix and ancillary services), Take 5 should be able to grow revenue at a +11% CAGR over the next four years. There is little margin expansion opportunity for Take 5, so operating income growth should approximate top-line growth.

Investment Opportunity: Portfolio Transformation

As a general rule, I avoid investing in companies that have been brought to the public markets by private equity. PE is usually looking for exit liquidity via the public markets and if they are willing sellers, I don't want to be on the other side of that trade. DRVN is a perfect example. Taking advantage of frothy public markets in 2021, Roark brought DRVN public at a valuation of 30x EBITDA. DRVN IPO'd at \$22 in January of 2021 and saw its stock price quickly appreciate to \$34 within a month. Since then, the stock has declined by ~50% as this valuation proved unsustainable and fundamentals at the US car wash business deteriorated due to increased competition (it seems like every PE fund invested in car wash between 2019-2022). The poor performance at the US car wash business not only weighed on top-line sales, but also pressured cash flow given the capital-intensive nature of this business. Elevated leverage, poor cash flow, and structural problems at US car wash left DRVN with their hands tied, there really wasn't an opportunity to grow given the combination of these factors. In February 2025, DRVN announced a sale of the US car wash business to a platform company of Oaktree, thus initiating a critical transformation of the portfolio.

Fast forward to today and DRVN now looks like a quality business with many of the issues above behind us. Proceeds from the car wash sale were utilized to reduce leverage. With capital no longer being diverted to the car wash business and leverage reduced, the business now produces strong free cash flow that will be utilized to further reduce leverage and grow the Take 5 franchise. The remaining portfolio is deserving of a multiple much

higher than the business commands today, in-line with peers in the franchise and quick lube oil change categories (see detail below).

Investors also have two call options embedded in the DRVN portfolio. The first call option relates to a potential sale of the international car wash business. Following the sale of US car wash and no other international operations, there isn't any strategic reason for DRVN maintaining ownership of a car wash business in Europe. I believe a sale of this asset is inevitable, but the timing is unknown. Sale proceeds would help reduce leverage more quickly and enable accelerated investment into growth assets. DRVN also owns AutoGlassNow ("AGN"), which offers glass repair and replacement services to both retail and commercial fleet customers. Safelite is the industry leader in this category, but Driven has commented that they intend to grow the AGN franchise and has recently won some small contracts with regional insurance carriers. While only a small percentage of revenue today and with capital being allocated to debt reduction and Take 5 growth, DRVN is not in a position to focus on this asset. In another year with leverage at more palatable levels and improved free cash flow, AGN could emerge as a second growth asset for Driven.

Valuation

There really isn't a pure play comp for DRVN. On the Take 5 side, VVV operates a similar model of company owned and franchised stores. Take 5 is currently growing faster than VVV in terms of both store openings and SSS (which is benefiting from faster new store openings). VVV was trading at 12x EBITDA prior to the September sell-off and Take 5 would likely trade at a modest premium to VVV if it operated stand-alone.

In terms of franchise businesses, there are numerous comps, but Boyd Group is probably the closest peer. Boyd currently trades at 11.5x EBITDA, but has a mix of both company operated and franchise auto repair stores. Auto maintenance and repair services are currently facing cyclical headwinds from lower insurance claims and a pressured low-end consumer. This has weighed on BYD's multiple, which traded closer to 13-14x EBITDA when same store sales growth was +3-4% in 2018-2019. As the cycle eventually turns in DRVN's favor (comps have been pressured for 2 years), this should also act as a tailwind for fundamentals and valuation for players in the auto repair space. Outside of auto repair, similar low growth franchise models trade at 10x EBITDA. A range of 10-12x EBITDA feels appropriate for the franchise asset.

Cash flow will be used to repay debt, accruing value to equity holders. Take 5 EBITDA growth will outpace growth from the rest of the portfolio, serving as a steady tailwind for multiple expansion. Using a blended multiple of 11x EBITDA on 2027 EBITDA yields a price target of \$29.50, or +108% upside from the current price of \$14.33. It's worth noting that DRVN traded at 11x EBITDA at YE 2023, when the car wash business was under significant pressure and leverage concerns were swirling around the consolidated entity. In a normal market environment, DRVN could easily trade for 12-13x EBITDA. Under reasonable assumptions, you can get significant upside from this asset as the market grows to appreciate the improved financial profile of the consolidated entity.



| Consolidated DVRN Valuation | | | |
|--------------------------------|----------|----------|----------|
| | 2025 | 2026 | 2027 |
| Take 5 EBITDA | 428.3 | 471.9 | 513.2 |
| Take 5 EBITDA Multiple | 12.0x | 12.0x | 12.0x |
| Take 5 EV | 5,140 | 5,663 | 6,158 |
| Franchise EBITDA | 179.5 | 179.5 | 179.5 |
| Franchise 5 EBITDA Multiple | 10.0x | 10.0x | 10.0x |
| Franchise EV | 1,795 | 1,795 | 1,795 |
| Int'l Car Wash EBITDA | 80.4 | 80.4 | 80.4 |
| Int'l Car Wash EBITDA Multiple | 8.0x | 8.0x | 8.0x |
| Int'l Car Wash EV | 643 | 643 | 643 |
| Corporate OPEX | (164.9) | (170.3) | (175.4) |
| Corporate Multiple | 12.0x | 12.0x | 12.0x |
| Corporate EV | (1,979) | (2,044) | (2,105) |
| Consolidated EBITDA | 523 | 561 | 598 |
| Consolidate EBITDA Multiple | 10.7x | 10.8x | 10.9x |
| Consolidated EV | 5,599 | 6,057 | 6,491 |
| Less: Net Debt | 2,009 | 1,821 | 1,515 |
| Implied Equity Value | 3,590 | 4,236 | 4,976 |
| Shares O/S | 163.6 | 165.2 | 166.9 |
| Implied Share Price | \$ 21.95 | \$ 25.64 | \$ 29.82 |
| Current Share Price | \$14.33 | \$14.33 | \$14.33 |
| Upside/(Downside) | 53% | 79% | 108% |

Roark Ownership

On top of everything outlined above, Roark should be motivated to increase the share price given their 61% majority ownership and a hold period approaching 10 years. Recent portfolio actions including the sale of US car wash and divestitures of some smaller businesses are evidence that Roark is attempting to recognize value from the asset. The presence of a motivated financial owner is another reason why I believe the sale of the international business is inevitable.

As always, if you have any questions about the portfolio or the market, please do not hesitate to contact me.

Christopher Godfrey

Important Disclosure



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