

Q4 / January 2026

Dear Clients and Friends,

During the fourth quarter of 2025, the median account return for separate accounts managed by Greystone Capital was +0.3%, net of fees. The median account return for the full year 2025 was +2.8%, net of fees. Since inception in Q4 2019, an account opened with Greystone has returned a cumulative +197.7% or +21.9% per year, net of fees. During this period, our strategy has outperformed both the S&P 500 and the Russell 2000 by an annualized +3.7% and +12.2% per year, while also posting significant cumulative outperformance against both benchmarks.

Greystone Capital Management <sup>1,2</sup>				
	Net Return	Russell 2000	Russell Microcap	S&P 500
<b>Q4</b>	0.3%	2.2%	6.3%	2.7%
<b>FY 2025</b>	2.8%	13.5%	23.0%	17.4%
<b>Since Inception (Cumulative)</b>	197.7%	74.4%	59.8%	150.6%
<b>Since Inception (Annualized)</b>	21.9%	9.7%	8.7%	18.2%

1. Returns are unaudited and represent an account opened with Greystone Capital Management at **inception Q4 2019**. Past performance is not indicative of future results. Investor's actual returns may differ from the returns presented due to several factors, including the timing of each investor's capital activity and position weightings within each portfolio.

2. Fees consist of a 1.5% management fee and a 20% performance fee above a 5% hurdle rate.

Fourth quarter and FY2025 results compare unfavorably to the S&P 500 and Russell 2000 returns of +2.7% and +2.2% during the quarter and +17.4% and +13.5% for the full year. Although fourth-quarter and full-year 2025 results lagged the indices, I don't manage the portfolio with any single quarter or calendar year in mind, a position I've held consistently through both periods of outperformance and underperformance. Given our concentrated, differentiated strategy, with limited index overlap, periodic and sometimes meaningful divergence from major indices is expected. This tracking error is a feature of the strategy, not a flaw.

The better measurement for a strategy like ours is the cumulative result over multiple years. Since inception, the strategy has generated strong outperformance, and a five-year track record I'm proud of. More importantly, I'm proud of how that track record has been achieved, through adherence to a disciplined process rooted in durable principles rather than short-term outcomes. As we enter our sixth year, my focus remains firmly on the years ahead.

Looking back, there were three primary contributors to underperformance during 2025, driven mostly by portfolio-specific outcomes rather than broad market conditions. First, there were instances of poor stock selection where I was wrong about business trajectory, earnings power or management quality (Sylogist, Franklin Covey). Second, several holdings that performed strongly in 2024 (Limbach, Natural Resource Partners, Medical Facilities Corp., Innovative Foods Holdings) experienced valuation compression or flat performance despite strong operational progress. Third, we have largely avoided AI themed investments, which proved to be a meaningful headwind

versus the indices. Negative contributors were offset by strong performance from APi Group, KITS Eyecare, Bel Fuse and Leon's Furniture.

In hindsight, I could have prevented some performance detraction by reducing our exposure to certain investments that had appreciated strongly going into and during the year, but in more than a decade of managing capital, my willingness to stand by our investments so long as the fundamental story hasn't changed, has indeed been the right approach. That's because this strategy has minimized our investment mistakes and has allowed for the efficient compounding of your capital.

Importantly, underperformance at the portfolio level did not equate to poor business performance. Several holdings delivered record operating results while their share prices failed to reflect that progress. Natural Resource Partners finished the year roughly flat despite a very strong year of free cash flow generation and debt reduction, bringing us one step closer to increased distributions. Medical Facilities declined modestly despite substantial share repurchases, asset monetization, and continued cash generation, and Limbach finished the year down significantly despite record results and continued execution in its higher-quality ODR segment.

As a result of both mistakes and opportunity cost, throughout the year, we exited the positions where our original thesis no longer held and reallocated capital toward businesses with higher quality, more visible earnings power, and more attractive forward return profiles. While this creates the appearance of selling after periods of weak performance, these decisions were driven by relative risk-reward and long-term expected returns, not short-term price action. The cumulative effect of these decisions is a portfolio built around fewer variables and clearer drivers of long-term value.

To that end, attractive returns from here do not require heroic assumptions or perfect execution, only that the world continues to function as it already does. While none of our businesses are flawless, each is deeply embedded in critical systems, supported by recurring demand, aligned incentives, and a demonstrated ability to grow per-share value over time. Our approach is to allow these businesses to compound through short-term noise and periodic volatility, with the underlying bet being a straightforward one; global coal usage will remain durable over the next 3-5 years, access to cost-effective eyecare will continue to expand, commercial buildings will require ongoing fire and life-safety maintenance, and hospitals will continue performing surgical procedures.

Although our concentrated portfolio will inevitably experience bouts of volatility, I feel very good about the odds of delivering a satisfactory long-term outcome from today's starting point. My family and I remain large investors in Greystone, firmly aligning our interests.

## Portfolio Commentary

At year end, our top five holdings, representing nearly 75% of our capital, consist of **Natural Resource Partners**, **KITS Eyecare**, **our undisclosed position**, **APi Group** and **Medical Facilities Corp.**

At the risk of sounding like a broken record, the current opportunity set remains unusually attractive. In addition to the undisclosed position discussed below, we initiated a new core holding

that I believe can deliver compelling long-term returns during the next few years, which I discuss in the Appendix at the end of this letter.

We also established two smaller positions in very different businesses, each characterized by durable competitive advantages, strong free-cash-flow generation and valuations that remain reasonable relative to their long-term prospects. I look forward to disclosing more over time.

## Top Five Positions

### Undisclosed Position

Apologies for the opaqueness here, but we are still actively buying this stock, and I have not disclosed anything publicly yet. In addition, **Greystone Capital is currently raising capital for a Special Purpose Vehicle (SPV) to invest in this business.**

This market-leading, asset-light service business benefits from meaningful geographic and regulatory barriers that support stable, recession-resistant cash flows and allow reinvestment at mid-teens to low-twenties returns. Despite predictable free cash flow, limited competition, and a balance sheet that enables both aggressive share repurchases and disciplined reinvestment, the company continues to trade as a lower-quality, cyclical service provider. I believe this mispricing reflects an outdated view of the business rather than its current reality. Even assuming no multiple expansion, ongoing free cash flow generation, reinvestment, and capital returns support attractive forward returns from today's valuation.

What makes this opportunity especially attractive is the combination of underappreciated compounding characteristics and a management team that understands capital allocation at a very high level. The purpose of the SPV is to build a concentrated position in this business at a meaningful discount to intrinsic value. Please feel free to reach out for more information.

### Natural Resource Partners (NRP)

Natural Resource Partners, our coal royalty business, delivered another strong year in 2025, continuing its evolution into a debt-free, capital-return-focused royalty and infrastructure business. Due to the nature of the royalty business model that avoids ongoing capital expenditures and high operating costs, cash flows remained robust across the mineral rights segment, in what has been a tough environment for both met and thermal coal prices. During 2025, global coal consumption of 8.8 billion tons once again [reached record highs](#), and given the severe supply/demand imbalance globally, I'd imagine pricing conditions begin to change favorably as we approach the end of the decade.

In my view, the most underappreciated attribute of NRP's business is lack of *price risk* being taken here. The royalty business model provides exceptional durability, having been stress-tested through various pricing environments and macro environments. Most importantly, the balance sheet continues to strengthen, and leverage metrics now sit comfortably within long-term targets, giving management flexibility to increase shareholder distributions within a few quarters. With a 20-year track record of positive free cash flow and plenty of reserves in the ground, I like our odds to collect distributions from NRP well into the foreseeable future.

As a reminder, we have no way of forecasting the price of coal, and we are not underwriting heroic growth assumptions. NRP is positioned to generate significant free cash flow during the next several years, much of which should be returned to us. We also get to capture the upside of any exuberance in coal prices along with the eventual recovery of soda ash. Shares trade at a substantial discount to my intrinsic value estimate of \$200-250/share, making NRP one of the most compelling asymmetries in the portfolio.

## **KITS Eyecare (KITS.TO)**

KITS Eyecare, our e-commerce eyecare business, continued to execute exceptionally well through 2025, further validating the strength of its vertically integrated, direct-to-consumer eyecare model. KITS is exactly the type of business we want to own through volatility: founder-led, operationally disciplined and focused on long-term value creation rather than near-term optics. While valuation will occasionally invite debate, our focus remains on the durability of the cash flows moving forward. KITS is an innovative, customer-focused business that has built a better, and more cost-effective model for purchasing glasses and contacts. Despite low brand awareness, especially in the US, KITS has found product/market/fit, and 2026 is on pace to be another record year of revenue and EBITDA.

Despite being just *eight years old* as a business, KITS is one of the fastest organically growing businesses in Canada, and has achieved the holy grail of e-commerce, selling into a huge TAM combined with strong unit economics in the form of an incredibly favorable CAC/LTV ratio. KITS refusal to participate in expensive, highly competitive marketing channels has allowed them to spread the word organically and in select markets across Canada and the US, clearing the way for profitable growth even as revenue accelerates 25-30% per year. Customer focus and cost discipline are woven into the culture of the business, enabling KITS to stand out from both service and price perspectives. High quality prescription glasses with lens upgrades retail on KITS.com for less than \$60. Similar products at competing brands would cost between \$150 – \$300.

The structural advantages of KITS business model became increasingly evident in 2025. In-house manufacturing, lens edging, and fulfillment enable tighter quality control and faster inventory turns, while proprietary customer data improves marketing efficiency and lifetime value. The result is a model with high incremental margins, low working capital intensity and strong cash generation. KITS remains largely insulated from technological disruption and macro volatility, as vision correction is non-discretionary and repeat-driven. Management continues to reinvest prudently in automation, logistics, and new styles, extending the company's competitive moat while preserving attractive unit economics. As a result, KITS continues to take share from both traditional optometry and less integrated online competitors, which I expect to continue well into the future.

At current prices, KITS trades at a premium to traditional retailers, but I believe this understates the durability and long-term potential of the model. The company is still early in its margin and cash flow inflection, and I expect earnings growth to materially outpace revenue growth over the next several years as fixed costs are leveraged, and as high margin glasses revenue becomes a larger part of total revenue. If management continues executing as it has, KITS has the potential to compound free cash flow at very high rates over a multi-year horizon. Based on my intrinsic value

estimate of approximately CAD \$35-\$45/share, I still see a wide disconnect between price and value.

## **APi Group (APG)**

APi Group continues to execute as a steady, high-quality business operating in mission-critical fire and life-safety services. 2025 was another strong year, characterized by mid-single-digit organic growth, disciplined pricing, expanding margins, and robust cash generation. End-market demand remains healthy, and APG continues to shift the revenue mix toward recurring inspection, monitoring, and service work, which carries higher margins, lower working capital intensity, and strong customer stickiness. APG remains one of the most economically resilient models we own with recurring revenue, critical infrastructure exposure, and zero technological displacement risk.

The balance sheet has returned to a position of strength following the Chubb acquisition and subsequent deleveraging, once again enabling the company to pursue disciplined, bolt-on M&A while continuing to grow through organic initiatives. This, along with cash generation, a long runway to reinvest, and favorable working capital dynamics makes APG recession resistant and worthy of a high multiple.

As a result, the market has finally given APG some credit for business strength and quality. Today, APG trades at 21x free cash flow and 18.5x EBITDA. While this doesn't appear headline cheap for a single digit organic grower, I view forward returns as primarily earnings-driven rather than multiple-driven, which is exactly the type of profile I prefer. If APG achieves their three-year targets of \$10B in revenues, \$1.6 billion in EBITDA and 80% FCF conversion by 2028, shares should be worth \$65 at current multiples for roughly 60% upside. That equates to an 18% annual return profile with limited risk, an underappreciated setup in today's market.

## **Medical Facilities Corp. (DR.TO)**

We've owned Medical Facilities Corporation for a few years and have done very well on the back of a cash generative portfolio of hospitals and a management team that is manically focused on repurchasing shares. It's very rare to see a management team both recognize the best use of excess capital and then stick to a plan to either reinvest it or return it to shareholders. This is one such group, and as a result I believe there remains further upside.

Medical Facilities' business model remains fundamentally attractive, consisting of ownership interests in specialized surgical hospitals with strong local market positions, high physician alignment, and favorable long-term demographic tailwinds. These assets generate durable cash flows with limited technological displacement risk and modest ongoing capital requirements. Management has remained focused on optimizing existing assets rather than pursuing dilutive growth, and then harvesting cash flow for capital returns, a strategy that maximizes per-share value over time.

During 2025, improving surgical volumes, stable physician engagement, and disciplined cost management, combined with normalization of elective procedure demand and improved labor dynamics supported margin stabilization and strong cash flow generation. As mentioned, MFC continues to allocate capital with an owner's mindset, buying back over 20% of shares outstanding

through a tender offer and open market purchases. During the past four years, MFC has reduced shares outstanding by nearly 40%.

Despite these positives, at \$11.50/share, MFC trades well below my estimate of intrinsic value between \$18-20/share. As cash flow generation continues and more shares are repurchased, I believe shares will continue to climb higher, with optionality for further asset sales within the portfolio. As a reminder, MFC sold one of their hospitals, Black Hills Surgical, in November of 2024, using the proceeds to repurchase \$65M in stock through a tender offer. Another deal of that nature would benefit us tremendously, but even without one, we will continue to own a cheap, cash-generative asset with a management team repurchasing plenty of stock.

## Recent Developments

My family and I enter 2026 as a family of five, having welcomed our third child, Anthony Joseph Wilk, a few months ago. Life has settled into a new rhythm now that Anthony has discovered the virtues of sleeping through the night.

We will hold our second **Greystone Capital Annual Meeting** in February or March. I will share details once the date is finalized. As with last year, the meeting will be conducted virtually, and a recording will be distributed for those unable to attend live.

Finally, Warren Buffett officially stepped down as CEO of Berkshire Hathaway after an extraordinary tenure of more than 60 years leading the business, along with a track record that will never be duplicated. Buffett's life, teachings, and examples have been profoundly influential in shaping my approach to investing, and Greystone would not exist in its current form without that influence. I particularly enjoyed [Roger Lowenstein's recent tribute](#), which captured not only Buffett's investment brilliance, but also the character and values that made his career so enduring.

Thank you as always for allowing me to manage your hard-earned savings. I am incredibly appreciative and wish everyone a happy and healthy 2026.

Please feel free to reach out anytime. Thank you for reading.

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## Appendix: Shift4 Technologies (FOUR)

*"A complex system that works is invariably found to have evolved from a simple system that worked. The inverse proposition also appears to be true: a complex system designed from scratch never works and cannot be made to work."*

*-- John Gall, Systemantics*

During the quarter, we initiated a position in Shift4 Payments, an integrated payments company with a long track record of operational execution and disciplined capital allocation. Founded in 1999 in a New Jersey basement, Shift4 has steadily built a leading position across hospitality, restaurant, and stadium end markets. While shares have declined more than 40% over the past year alongside much of the payments sector, the underlying business has continued to perform well, with solid organic growth, expanding gross margins, and the completion of its largest acquisition to date, Global Blue, during 2025.

Throughout its 26-year history, Shift4 has evolved substantially, pairing deep industry knowledge with a consistent ability to adapt as the payments landscape has changed. This combination of experience and ongoing iteration has created a durable competitive position, enabling the company to continue gaining share across restaurant, stadium, and resort verticals while increasingly embedding merchants into its end-to-end payments ecosystem. Despite this progress and a long runway for continued growth, the market is valuing Shift4 as a legacy, leveraged payments processor, rather than as a recurring, high-retention platform characterized by strong incremental margins, meaningful switching costs, and a differentiated operating culture.

Under conservative assumptions, Shift4 has the potential to grow revenue and free cash flow at a 20-25% rate over the coming years, a trajectory that should support a higher valuation as execution continues. With a founder-led management team focused on disciplined capital allocation, an active share repurchase program covering roughly 20% of shares outstanding, and a compelling starting valuation, FOUR offers an attractive long-term risk-adjusted return profile.

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In Arthur Rankin's 1969 Frosty the Snowman cartoon, there's a scene where Professor Hinkle, the world's worst magician, attempts what he thinks is a simple trick. He drops a few eggs into his hat, flips it over, and expects birds to fly out. Instead, the eggs spill and shatter on the floor. He looks down at the mess and mutters, "messy, messy, messy." My kids love that scene.

But the joke is not simply that Professor Hinkle is a bad magician; it's that he mistakes a deeply complex trick for a simple one. Turning eggs into birds requires mastering a long chain of hidden steps. Hinkle ignores that complexity, and reality asserts itself in the mess on the floor.

Payment businesses appear simple on the surface. Swipe a card, a transaction clears, the merchant gets paid. In reality, they are closer to Professor Hinkle's trick, full of complexity and multiple failure points. This distinction, between problems that appear simple versus those that are simple only after doing the hard work of internalizing complexity, is directly related to our investment in Shift4,

where the company has a decisive advantage as a company that has learned how to contain that complexity, so their customers don't have to.

Shift4 is an integrated, end-to-end payments business. The company was founded by former CEO (now Executive Chairman) Jared Isaacman, remarkably at the age of 16, and has since grown into the leading provider of software and payment processing solutions to various end markets. The company powers billions of transactions for a diverse set of small business and enterprise customers and holds the #1 spot in hospitality, sports and entertainment, global luxury retail, and the #2 spot in restaurants. The ideal customer for Shift4 is characterized by a small business utilizing a variety of software and hardware tools to operate their business and accept payments.

In the payments value chain, Shift4 acts as a merchant-facing provider, essentially a one-stop combination of payment gateway, payments processor, and point-of-sale (POS) software. Shift4's model consists of managing the software that merchants use to accept payments, while also managing the back-end payment acceptance (or rails) that process each transaction. FOUR's value prop is made up of their ability to integrate the 'full stack' of software, hardware and payments in complex, card-present and not-present environments.



If you've ever visited a hotel with various purchase points across the property - front desk, spa, restaurants, gift shop - FOUR takes the different software required to accept payments at each purchase point, and integrates them into one single-source solution, making the customer's life (in this case, the hotel) more efficient and lower cost. Instead of managing multiple pieces of hardware, multiple support systems, and multiple transactions reports, Shift4 integrates everything into one unified system. In other words, as discussed, FOUR absorbs the complexity of disparate systems and software and spits out a simplified solution for the customer.

Shift4 is uniquely positioned relative to most payments companies because it owns the gateway layer, allowing it to sit structurally between the merchant and the acquirer. This control enables Shift4 to embed payments directly into mission-critical POS and commerce software, retain a larger

share of transaction economics, and flex pricing without relying on third-party processors, rather than competing as a standalone, price-taker processor.

On a \$1.00 card transaction in a typical restaurant, the economics flow as such:

Participant	Sample Restaurant Economics per \$1.00	Role in Value Chain
Customer	Pays \$1.00	Initiates transaction
Merchant	Keeps \$0.965–\$0.975	Provides food & service
<b>Shift4 (FOUR)</b>	<b>\$0.006–\$0.009</b>	<b>Integrated POS, gateway, processing</b>
Acquirer (Sponsor Bank)	\$0.002–\$0.003	Settlement & sponsorship
Card Network (Visa / MC)	\$0.001–\$0.002	Network routing & rules
Issuing Bank	\$0.012–\$0.020 (interchange)	Credit risk, rewards, fraud

Shift4's one-stop-shop offering and vertical focus highlight the underlying strength of its business model. Historically, many payments and commerce software companies, including Toast (TOST), Block (XYZ), Lightspeed (LSPD), and NCR Voyix (VYX), have led with hardware and feature-rich POS systems, building sticky customer bases and recurring software revenue while treating payments as a secondary concern and outsourcing transaction processing to third-party providers. This approach reflects the long-held view that payment routing alone adds little value, as gateway-only models are commoditized, low-margin, and easily replaced. I don't disagree. But by owning the economics of transaction capture and settlement, Shift4 can retain a spread and generate meaningful gross profit, rather than earning the residual economics associated with simple transaction routing.

This allows FOUR to scale with payment volume as opposed to customer count and meaningfully reduce churn. FOUR notes 1.0% churn among their top 50 customers and less than 3.0% total annual merchant churn. By integrating solutions and providing end-to-end payment capabilities, FOUR turns the commodity of payment processing into a sticky service offering, can earn a larger share of the economics per transaction, can tailor its platform to various industries (stadiums, restaurants, hotels) and can share a portion of the economics with customers in the form of reduced hardware and software fees.

Given these dynamics, Shift4 is naturally focused on deepening its relationships with merchants, with the growth strategy centered on expanding end-to-end payment volume within each vertical while systematically converting gateway-only customers to full processing. The company is uniquely positioned to execute this given its 550 software integrations, lower price offerings, and scale. It's scale that allows Shift4 to subsidize POS hardware and offer targeted financial incentives in exchange for exclusive payments relationships. Converting gateway customers to end-to-end processing is a core strategic lever and a powerful unlock for both revenue and margin expansion.

Using a restaurant example, the contrast between gateway-only transactions and full end-to-end processing illustrates the step-change in unit economics. For an identical dollar of volume, end-to-end processing generates meaningfully higher gross profit, underscoring why merchant conversion is central to Shift4's strategy.

End to End vs. Gateway Economics	Gateway Only	End-to-End Processing
Card Volume	\$1.00	\$1.00
Gross take rate (bps)	2 bps	60 bps
Gross Revenue	\$0.00	\$0.006
Variable processing costs	-0.00005	-0.0038
Gross Profit from payments	0.00015	0.0022
Attached software / fees	0.0001	0.0004
Support & platform costs	-0.00005	-0.0003
<b>Net Gross Profit per \$1 vol</b>	<b>0.0002</b>	<b>0.0023</b>
<b>E2E gross profit is 11-12x higher per dollar of volume</b>		

As a result, the economics of end-to-end conversion have translated directly into accelerated financial performance. Shift4's payment volume has grown more than 4x since 2021, but net revenue and gross profit have expanded far faster as higher-margin end-to-end volume replaced lower-value gateway activity. Net revenue has reflected a CAGR of approximately 41% annually since 2021, while gross profit growth has exceeded 60%, driven by the superior unit economics of end-to-end processing.

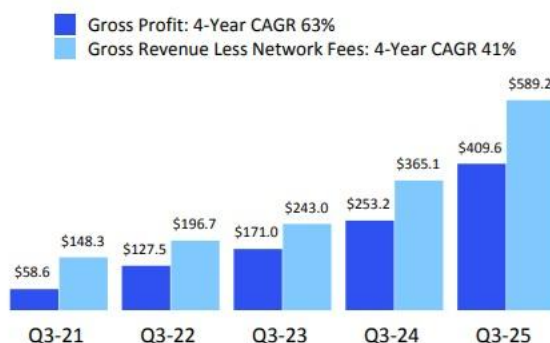
### Q3 Volume

(\$BILLION)



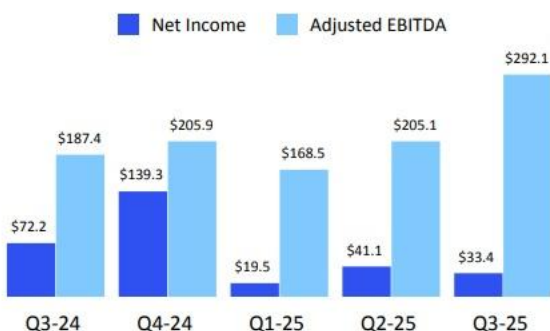
### Gross Profit & Gross Revenue Less Network Fees<sup>(A)</sup>

(\$MILLION)



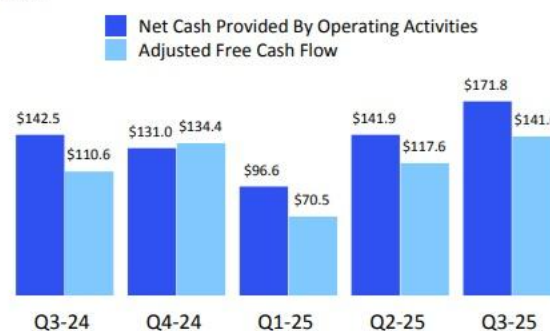
### Net Income & Adjusted EBITDA<sup>(A)</sup>

(\$MILLION)



### Net Cash Provided by Operating Activities & Adjusted Free Cash Flow<sup>(A)</sup>

(\$MILLION)



(A) See page 2 for a description of non-GAAP financial measures. For a reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures, please see the relevant tables in "Appendix - Financial Information" of this document. The EBITDA growth rate is not meaningful due to negative EBITDA in Q3 2024.

Next, organic growth is complemented by disciplined M&A. When entering new verticals, management evaluates whether to build, partner, or acquire, and has consistently favored acquiring mission-critical software with an embedded customer base and under-monetized payment flows. This approach allows Shift4 to step directly into established workflows, convert existing customers to end-to-end payments, and do so at an attractive average cost of acquisition.

A clear example is Shift4's acquisition of VenueNext to enter the stadium vertical. VenueNext provided mobile in-seat and in-venue ordering across large sports and entertainment venues but had not fully monetized payments. By integrating VenueNext into Shift4's end-to-end payments platform, the company was able to turn a software engagement layer into a high-margin payments annuity, rapidly scaling penetration across a complex, high-volume vertical.

Despite pursuing an M&A-heavy strategy, the consistency of execution and the attractive return profile of recent deals stand out in an industry where M&A often destroys value. Shift4's historical results suggest a repeatable playbook rather than isolated successes, which I discuss in more detail below.

Shift4's M&A strategy also highlights a fundamental difference in how the company scales relative to most peers. While many software and payments businesses rely heavily on sales and marketing to acquire merchants and attempt to monetize payments later, Shift4 has instead used acquisitions and hardware deployment as its primary customer acquisition tools. This approach allows the company to enter merchant workflows directly, embed payments at the point of operation, and convert existing transaction volume into high-margin, recurring payment revenue.

By contrast, competitors such as Toast and Lightspeed must spend aggressively on customer acquisition and recover those costs through a combination of software subscriptions and shared payment economics. The Shift4 model not only materially lowers upfront costs for the merchant but accelerates payback periods and increases lifetime value. Over time, this shifts economics away from transactional customer acquisition and toward a recurring payments annuity. Importantly, Shift4's is acquiring already established businesses, lowering integration risk and allowing them to monetize the part of the value chain Shift4 controls best, payments.

As a result, while Toast, Lightspeed, and Shift4 may appear to offer similar functionality to merchants at comparable all-in costs, the underlying economics diverge meaningfully. Shift4's ownership of the full stack allows it to retain a larger share of the payments spread, translating incremental volume into disproportionately higher free cash flow. Peers have far less pricing flexibility and lower incremental margins at scale.

While software often attracts the most attention, Shift4 is not competing to deliver the most elegant POS interface or the richest feature set. Instead, the company is focused on owning the most valuable control points in complex verticals. While Shift4 is not alone in recognizing the value of owning the full payments stack, competitors attempting to move in the same direction are discovering how difficult it is to replicate what Shift4 has built organically over decades.

External validation for the intractability of payments and the value of owning the full stack can be found in the strategy of NCR Voyix. NCR's core business historically centered on POS and software, but it repeatedly ran up against the limits of a fragmented payments model, relying on partnerships

with processors like Worldpay to deliver integrated payments to its customers. That dynamic forced NCR to share economics and coordination complexity with third parties instead of owning the transaction lifecycle. As NCR's leadership noted, they selected Worldpay specifically because of the complexity of their customer base, implicitly acknowledging that embedded payments cannot be abstracted away through loose integrations or partnerships alone. This validates a core tenet of the Four thesis: the economics of payments accrue most sustainably when the stack is owned end-to-end, not parceled out through external processors.

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Importantly, the decision to build end-to-end payments capabilities was not an accident, but the result of decades of operating experience and iteration. A useful distinction in investing is between tractable and intractable problems. Tractable problems can be decomposed, standardized, and solved with sufficient capital or effort. Intractable problems, by contrast, are path-dependent and resistant to linear solutions, requiring cumulative learning over time rather than optimization in a single step. Integrating software, hardware, and payments across complex merchant environments falls firmly into the latter category.

Enduring businesses often emerge by starting with a narrow problem and gradually expanding their capabilities through repeated trial, error, and adaptation. The resulting advantage is not complexity for its own sake, but the learning embedded in the system itself. A competitor beginning from a standing start cannot simply replicate the end state, regardless of resources, because the knowledge required to operate the system effectively is accumulated only through experience.

By the time FOUR went public in 2020, the company had spent nearly two decades working through multiple verticals, end markets, and product iterations. Along the way, it developed deep integration capabilities across hundreds of software systems, acquired control of the payment gateway, and converted under-monetized platforms into full end-to-end payment solutions. That process produced a body of institutional knowledge that cannot be reverse engineered from the outside and makes the business meaningfully harder to dislodge than surface-level metrics suggest.

This distinction between tractable and intractable problems explains much of what the market is missing here.

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At today's price, Shift4 trades at a mid-single-digit multiple of EBITDA and roughly 10x my estimate of 2026 earnings. While Shift4's revenue is more cyclical than that of pure software businesses, the current valuation implies a level of fragility that understates the durability of the underlying business. Despite volume sensitivity, Shift4 exhibits many software-like characteristics, including embedded workflows, low churn, meaningful switching costs, pricing control, and capital allocation flexibility that allows management to redirect effort toward merchant conversion, M&A, and share repurchases during periods of weaker demand.

In contrast, the market appears to reward companies such as Toast primarily for the contractual nature of their software revenue, while discounting Shift4 for its exposure to transaction volumes,

even though Shift4's economics increasingly converge with software-like models at scale. The result is a wide valuation gap, with Toast trading at approximately 24x EBITDA and 28x earnings versus Shift4 at roughly 7x EBITDA and 10x earnings, that I believe overstates the difference in long-term durability and understates Shift4's ability to show strength through the cycle. A similar disparity exists relative to Lightspeed, which trades at materially higher multiples despite lower profitability and less control over payment economics.

Using conservative estimates, including no incremental M&A, modest Global Blue conversion, and a dip in continued installed base monetization, earnings power should grow to around \$8/share by 2028. This also assumes management fails to execute the \$1.0B share repurchase program in place which would retire 20% of shares outstanding. Using the same assumptions but factoring in just half the buyback authorization would increase EPS to \$9.0/share, or 7.0x earnings. I'm not arguing that FOUR deserves a SaaS multiple, but at just 14x earnings, half of Toast's multiple, shares would be worth \$112/share versus \$63 today, driving a 21% 3-year IRR.

I view this outlook as overly conservative due to management's enthusiasm for the buyback, incremental EBITDA kicking in from 2024 acquisitions, and the remaining top of the funnel opportunity to convert merchants to FOUR's end to end payment processing. What's more likely is that FOUR will continue to convert merchants at a strong clip, successfully integrate Global Blue while converting a decent portion of the merchant base, de-lever modestly and repurchase stock. If successful just doing what they've done since their IPO, my estimate of adjusted earnings/free cash flow (adjusted for hardware acquisitions and stock-based compensation) could reach \$10-11 share within the next few years, implying a \$140-155 share price. This would largely track management's target of a \$1.0 billion free cash flow run rate within the next two fiscal years without giving much credit for incremental M&A, which could add to free cash flow per share over time.

As mentioned above, management has demonstrated the ability to reinvest large amounts of capital at high unlevered returns over multiple years. Since 2019, the company has deployed roughly \$2.7 billion of growth-related capital across customer acquisition, product investment, and M&A, generating approximately \$515 million of incremental EBITDA, even after burdening results for stock-based compensation and recurring integration costs. This equates to an unlevered return on invested capital of roughly 19.0%, before accounting for 2024 acquisition synergies and any contribution from 2025 onward.

Most importantly, the market is valuing Shift4 as if success depends on continuous merchant acquisition and M&A. Growth would persist even without new acquisitions. If Shift4 were to cease M&A entirely and simply continue converting its installed base, or what management calls 'sitting on their hands', the business would still grow organically in the mid-to-high teens, while free cash flow would inflect sharply higher as growth capex moderates. As a reminder, a meaningful portion of future value creation comes from *monetizing an already-installed gateway base*, as moving a merchant from gateway-only to end-to-end processing increases gross profit per merchant significantly, without requiring incremental customer acquisition. That is quite attractive and points to the high margin annuity that is end-to-end payments.

While Shift4 is not immune to cyclical pressures given its end markets, ongoing merchant conversions and increasing payment adoption make the business more durable than the market currently recognizes.

From a management perspective, we are invested alongside a true owner-operator with meaningful alignment. Founder and CEO Jared Isaacman retains roughly a 30% economic interest in the business and has guided Shift4 through decades of iteration to what I believe is its strongest competitive position to date, reinforced by multiple open-market share purchases during 2024 and 2025, including a \$16.0 million purchase in August of last year. Importantly, prior governance concerns have been addressed through the elimination of multiple share classes and a legacy tax receivable liability, while management's demonstrated willingness to repurchase undervalued shares and pursue opportunistic M&A, particularly in weaker economic environments, adds further confidence, supported by management's experience navigating and growing through the Financial Crisis.

Most importantly, since Shift4's IPO, management has largely exceeded all expectations and has a history of under-promising and over-delivering. Since their IPO in 2020, FOUR has compounded shareholder capital at 20.5% per year, outpacing the S&P500 by 400bps per year. While a successful return is not dependent on this outcome, it's possible Jared is positioning the company for a sale at some point during the next few years. FOUR has received offers in the past, but at a share price not high enough to tempt management, and before Jared was named NASA's 15th Administrator.

While the outcome will ultimately depend on execution, I am comfortable owning FOUR alongside a strong, founder-led management team. As the company continues to grow organically, integrates Global Blue, expands payment penetration across its existing customer base, repurchases shares, and demonstrates resilience through the cycle, I believe the underlying quality and durability of the business should become increasingly evident to the market and eventually support a higher valuation.

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**Disclaimer:** *Past performance is no guarantee of future results. Investing involves risks which clients should be prepared to bear, including but not limited to partial or complete loss of principal originally invested. Investing in small and microcap companies can result in additional volatility and higher risk due to comparatively low market capitalization, more sensitivity to economic and market conditions, and more limited managerial and financial resources. In addition, small companies typically trade in lower volume, making them more difficult to purchase or sell at the desired time and price or in the desired amount. Please refer to Form ADV Part 2 brochure for more information about Greystone Capital Management and its personnel.*